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General Assembly

FORTY-NINTH SESSION

Official Records

SECOND COMMITTEE
7th meeting
held on
Wednesday, 12 October 1994
at 6 p.m.
New York

SUMMARY RECORD OF THE 7th MEETING

Chairman:	Mr. KHAN	(Pakistan)
later:	Mr. RAICHEV	(Bulgaria)

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GENERAL DEBATE (continued)

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21 October 1994

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The meeting was called to order at 6 p.m.

GENERAL DEBATE (continued)

1. Mr. WLOSOWICZ (Poland) said that world-wide political, economic, environmental and demographic changes were creating different types of problems than those dealt with by traditional diplomacy. Such problems could not be resolved by military solutions or good will alone, but required decisive action to adapt international institutions, including the United Nations, to meet the new global challenges.

2. Despite its shortcomings, the United Nations system still provided the best setting for promoting international cooperation for development. However, the Organization's traditional sectoral approach had resulted in fragmentation and redundancy, and was inadequate to meet current challenges. The development process required that efforts in the political, economic and social spheres should be integrated. Yet, as the former Prime Minister of Poland had pointed out, the United Nations intergovernmental structure suffered from a "missing link", both substantive and institutional, between political and security matters on the one hand and economic and social development matters on the other. Accordingly, Poland endorsed the Secretary-General's proposal that the Economic and Social Council should be invited to report to the Security Council on economic and social developments pertaining to peace, security and stability.

3. The successful conclusion of the Uruguay Round and the establishment of the World Trade Organization (WTO) would lead to more effective management of international economic and trade policy. Closer institutional links between the International Monetary Fund (IMF), the World Bank and WTO, the three pillars of the Bretton Woods system, would give greater coherence to their policies, which would in turn help to ensure the smooth development of the new market economies. Aid should not become a substitute for trade. Access to world markets was of vital importance to the Central European countries, and he urged developed countries to accept more exports from countries with economies in transition. He also welcomed the fact that the Marrakesh agreements included several provisions which reflected the realities of the transition process.

4. It was to be hoped that WTO would lead to a better disciplined and more equitable multilateral trading system. The new organization should become operational as soon as possible in order to minimize any risks involved in the transition from the General Agreement on Tariffs and Trade (GATT). To that end, Poland would make every effort to complete its ratification procedure as rapidly as possible. Ways must also be found to coordinate WTO efforts with those of other structures currently dealing with trade issues, thereby avoiding duplication of work and resources.

5. IMF, the World Bank and WTO, together with the United Nations Development Programme (UNDP) and other technical assistance agencies, would help the United

Nations system focus greater attention on providing support to developing countries, in particular the least developed countries, the countries of sub-Saharan Africa and countries in transition. The mandates of those bodies should be reviewed and redefined as appropriate. Development institutions needed to acknowledge that the existing development gap represented a threat to security and thus merited top priority.

6. While some regions were enjoying economic revitalization, others lacked the necessary dynamism for growth. Developed market economies were growing again, but continued to suffer from rising unemployment. Developing countries, which accounted for 80 per cent of the world's population, had been showing strong growth in recent years. In contrast, in Central and Eastern Europe, output continued to shrink, although the rate of decrease had slowed over the past two years. While some Central European countries were showing signs of recovery, they still faced unemployment and other hardships, including those posed by economic disparities in formerly egalitarian societies. His own country, after a course of "shock therapy", was moving towards recovery for the third year in a row. Nevertheless, many of its economic indicators had not reached the level of the pre-crisis period, and the social costs of rapid transformation were extremely high. It was clear that outside support for reform was needed, especially for countries which had demonstrated their commitment to change.

7. The conclusions of the agenda for development, the World Summit for Social Development and the Fourth World Conference on Women would provide a blueprint for action in the fields of peace and development.

8. Mr. SYCHOU (Belarus) said that the current world situation called for a re-evaluation of the international community's efforts to eradicate poverty, unemployment, disease and hunger. Realism, pragmatism, solidarity and new partnership, a new form of dialogue on international economic cooperation and mechanisms for coordinating macroeconomic policy and microeconomic management were needed for the solution of those and other long-term problems.

9. The report of the Secretary-General entitled "An Agenda for Development" was a basic document for the current and future activities of the United Nations in the fields of economic and social development and the environment. His delegation considered that the main thesis of the report, namely, that development provided the most secure basis for peace, was not simply a truism but reflected Belarus's own, often bitter, historical experience.

10. In its efforts to integrate its economy into the world and European economy, Belarus faced a profound structural economic crisis that had begun in the mid-1980s. The lack of a clear reform strategy, cosmetic changes rather than a steady transition to a market economy, an inconsistent foreign economic policy and a lack of order in its economic relations with many of its traditional partners were hindering the normal development of the Belarusian economy. The new leaders of Belarus were endeavouring to overcome the country's economic crisis and carry out real economic reforms. The national programme to overcome the economic crisis placed particular emphasis on stimulating production by stabilizing the financial system and monetary and credit relations

and instituting price reforms; stabilizing the Belarusian rouble by equalizing trade and payments balances and increasing foreign trade; overcoming the decline in production by ensuring manageability and promoting market reforms; and reforming the wage structure, income and employment policies and the social support system.

11. Belarus was interested in attracting foreign investments and technologies, without which real reforms had little chance of succeeding in the short term. Belarus was cooperating with IMF and the World Bank and was seeking new forms of mutually advantageous economic cooperation with all interested States and business, financial and scientific circles. Belarus was improving its legislation and seeking to create appropriate guarantees to protect the property and profits of its foreign partners.

12. Belarus was convinced of the vital importance of economic integration in the Commonwealth of Independent States on the basis of general consensus, mutual advantage, pragmatism and partnership. In that regard, the increasing economic reintegration of the countries of the former Soviet Union was in keeping with the general world trend towards regional and subregional economic integration.

13. His delegation was in favour of an effective Economic and Social Council and the efficient functioning of its subsidiary bodies, greater decentralization and regionalization of operational activities and increased opportunities for implementing practical projects with the participation of the regional commissions. Under the guidance of the General Assembly, the Council should ensure effective coordination within the United Nations system, of which the Bretton Woods institutions were an indispensable part, in order to find practical solutions to development problems. His delegation called for the more orderly use of the financial and other resources channelled through UNDP, the United Nations Children's Fund (UNICEF) and other programmes, funds and specialized agencies.

14. While his delegation recognized the existence of the particular interests of the Group of 77, it could not accept attempts to infringe on the legitimate and natural economic interests of other countries that faced tremendous economic difficulties. Belarus did not seek to compete with the least developed countries for the limited resources of the United Nations development system, but wished to cooperate with all industrialized States and dynamically developing countries in its efforts to overcome the temporary negative consequences of the transition to a market economy.

15. His delegation supported the proposals made by various delegations to hold a United Nations conference on development, an international conference under United Nations auspices on cooperation in the field of conversion and an international conference on South-South cooperation, as well as other interesting initiatives. His delegation was counting on a favourable response to the proposal made by the Prime Minister of Belarus to hold, under United Nations auspices, an international conference on the sustainable development of countries with economies in transition.

16. Mr. Raichev (Bulgaria) took the Chair.

17. Mr. TÜRK (Slovenia) said that recent global changes were reshaping economic and social development. A number of newly created States, most of which were moving towards full market economies, were striving to integrate themselves into the international economic system. Thus the era of radically different and competing models of economic development had apparently come to an end, while a new era of global integration was ushering in new challenges as well as new opportunities.

18. The General Assembly had on several occasions recognized that the integration of economies in transition into the world economy would have a positive effect on world trade and on economic growth and development. However, the successful integration of those economies depended on three main elements: access to world markets, a strengthening of the basic principles of free trade, and the consolidation of regional cooperation. In that connection, he wished to emphasize that the terms "countries in transition" and "economies in transition" were broad categorizations and must be used with due regard for States' individual identities and economies. It was particularly risky to categorize States during a period of dynamic change.

19. After a short period of difficulties following the disintegration of the former Yugoslavia, Slovenia had implemented economic adjustment programmes and had achieved macroeconomic stability. Exports to foreign markets had increased and, combined with increased domestic demand, had led to significant economic growth. It was expected that sustained non-inflationary growth would continue for several years. As a result of those events, development issues could once again take centre stage, privatization of public enterprises would continue, and reform of the banking system would remain an important priority. The outlook for investment growth in Slovenia was positive, and foreign direct investment was expected to play an important role in areas involving a high level of technology transfer.

20. Slovenia, which was already a member of the World Bank and IMF, had recently become a party to GATT. It was rapidly establishing free trade arrangements with its Central and Eastern European partners and was awaiting the start of negotiations on association with the European Union.

21. The Slovenian experience showed that the process of transition could be completed rapidly and did not necessarily involve a large mobilization of foreign resources. Two aspects of Slovenia's transition were particularly noteworthy: first, the initial period, during which basic macroeconomic stability had been established, had been relatively short; secondly, Slovenia's integration into the international economic system had become essential to sustained growth in the country. Slovenia was now entering a stage where technological, environmental and social aspects of development would be of central importance.

22. In a time of global interdependence, multilateral cooperation was more important than ever. His delegation welcomed the conclusion of the Uruguay

Round and would participate actively in WTO. Slovenia looked forward to continuing cooperation with UNDP and hoped that the country programme for Slovenia would be approved early in 1995.

23. The Slovenian Government supported the activities of the Commission on Sustainable Development and had already incorporated several elements of Agenda 21 into its policies and legislation. He welcomed the Secretary-General's agenda for development, in particular the recommendations relating to sustainable development, and endorsed the idea of convening a world conference on development.

24. Social policies and good governance, based on universally agreed human rights standards, were important aspects of any coherent social development policy. The forthcoming World Summit for Social Development would provide an excellent opportunity for developing appropriate policy recommendations in that regard. Slovenia was actively participating in the preparatory process for the Summit and would also host a United Nations seminar on ethical dimensions of social development.

25. Mr. VILCHEZ (Nicaragua) fully endorsed the statement made by the representative of Algeria on behalf of the Group of 77.

26. The international scene had changed dramatically in recent years. The fiftieth anniversary of the United Nations would provide an excellent opportunity for a thorough evaluation of the Organization's methods for improving the world economy and optimizing the development potential of individual countries. In that connection, his country had hosted in July 1994 the Second International Conference of New or Restored Democracies, which had sought to identify institutional weaknesses and help countries become effective participants in the new world order. The Conference Declaration had recognized that the future of democracy and peace was linked to the manner in which the international community dealt with such issues as foreign debt, market protection for developing countries, the lack of concessional funding for development, poverty, and the impact of structural adjustment policies on low-income groups. It had urged the international community to give due regard to the complexity and specific character of the transition process in each country. It had further noted that bilateral and multilateral cooperation, stimulation of the private sector and a strengthening of United Nations and regional and non-governmental organizations were vital to consolidating economic and social progress in the new and restored democracies.

27. The Conference had emphasized that structural adjustment programmes which failed to correspond to social realities might give rise to political and social tensions, and thus undermine the democratic transition process. There had been consensus on the need for the World Summit for Social Development to give priority attention to the social consequences of structural adjustment programmes and the attainment of equitable growth. Conference participants had also stressed the need for economic reforms which included social benefits for the most disadvantaged groups.

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28. The Conference Declaration had highlighted the need for agreements on foreign debt, in particular commercial debt, and for innovative ways to achieve sustainable economic growth and governability, without which democracies could not function effectively.

29. The Conference participants had reaffirmed their commitment to strengthening the role of the United Nations in promoting peace and development and had emphasized the importance of the Secretary-General's "Agenda for Peace" in that regard. They had also stressed the importance of cooperation between WTO and regional trade organizations whose progressive regulatory mechanisms offered a good means of improving economic and social conditions in new and restored democracies.

30. The Conference had reiterated the need to strengthen bilateral and multilateral development cooperation in order to reinforce democracy and peace. The Conference Plan of Action had recommended that countries should strengthen the foundations of economic growth and stability at the national level by instituting greater macroeconomic flexibility, decreasing State control and allowing greater freedom in the private sector. Conference participants had agreed to make greater efforts in the field of social development, to support programmes for sustainable human development, and to combat poverty as a means of maintaining democracy.

31. In the view of the Conference participants, the United Nations system and the Bretton Woods institutions needed to pay more attention to the current difficulties those countries faced, in particular the least developed among them. Given that the conditional terms imposed by IMF and the World Bank had increased the risk of instability in the new or restored democracies, it was important to achieve better coordination between United Nations policies in the economic, social and political spheres and the operations of the international financial institutions.

32. In the context of efforts to achieve peace, democracy, liberty and development in Central America, a Central American environmental summit on sustainable development had begun that day in Managua. The Governments taking part would be signing an alliance for sustainable development, the main objective of which was to construct a model of sustainable development based on Agenda 21. The alliance would constitute a regional strategy for the coordination of development initiatives and was intended to complement and strengthen existing instruments for regional integration.

33. Economic growth and development and the eradication of poverty must be given the highest priority on the international agenda and the role of the United Nations in development must be reinforced. The proposed agenda for development offered a sound basis on which the Organization could forge its own role in managing international development policies and coordinating the work of the United Nations system with that of other multilateral institutions.

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34. Mr. MINET (Observer for the International Labour Organization (ILO)) said that, while the outlook for the world economy had improved, unemployment remained a serious concern. All countries were currently seeking answers to three questions: how to achieve non-inflationary growth, how to ensure that such growth effectively led to employment creation, and how to ensure that the employment created was of an acceptable quality, respecting the rights of the labour force.

35. Although the main responsibility for answering those questions lay with Governments, the globalization of the world economy had been steadily reducing their control over economic policy instruments. It was important to determine whether the economic forces of the international market would suffice to guarantee social progress for all. Given the nature of the markets, a minimalist State role was not the most appropriate means of achieving poverty alleviation and equitable development. The role of public policies must be redefined in the light of the emerging realities, bearing in mind the role of such policies in creating an environment conducive to optimum market performance.

36. Governments should not consider social policy separately from economic and financial policies, but must seek to integrate them and set explicit social targets, such as decreasing the long-term unemployment rate. For its part, ILO was concentrating on strengthening the ability of ministers of labour and employment, as well as of workers' and employers' organizations, to take initiatives and action.

37. The cooperation currently being developed at the international level in the political and economic fields could only be effective if accompanies by strengthened international policies and actions in regard to social matters. In that connection, he noted that cooperation between ILO, the World Bank and IMF had broadened and developed significantly over the years. Consideration by the General Assembly of an agenda for development should provide an opportunity to invent and explore new avenues for meaningful collaboration between the United Nations and the international financial institutions. Such efforts should bring together those responsible for economic, financial and social policy and provide an integrated framework for guiding national and international policies aimed at meeting the current challenges of the world economy.

38. Mr. HONG Je Ryong (Democratic People's Republic of Korea) said that the question of development was closely related to world peace, security and the improved well-being of humankind. Since its inception half a century before, the United Nations had made continued efforts to eliminate poverty and famine on earth and promote the economic and social development of Member States; however, that objective was far from being achieved. Developing countries continued to be placed at a disadvantage in the world economy by inequitable terms of trade, falling commodity prices and high trade barriers. Millions of people had been deprived of their basic human rights by famine, poverty and unemployment. Some developing countries had gone so far as to adopt market-oriented reforms in their efforts to develop their economies; however, an inequitable economic environment had prevented tangible results.

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39. In the past, the United Nations had taken some steps to assist the developing countries in their development efforts in the form of, inter alia, the International Development Strategy for the Fourth United Nations Development Decade and the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries. However, the implementation of those instruments needed to be promoted further for substantial progress to be made.

40. Current economic problems were due to inequitable international economic relations and created political and social instability, thereby posing a threat to world peace and stability. The developed countries should therefore assist the developing countries in their efforts to achieve revitalized growth and development, particularly by establishing fair and equitable economic relations. That would require the elimination of all kinds of legal and mechanical obstacles to economic growth and sincere efforts to resolve the debt problem.

41. South-South cooperation was an efficient way to promote development efforts. The United Nations should take practical steps to encourage and support economic and technical cooperation among developing countries. His delegation welcomed the proposal to convene a United Nations conference on South-South cooperation in 1996. In addition, the North-South dialogue should be renewed at an early date so that all countries could agree on concerted action for the promotion of development, while respecting common interests and benefits.

42. He welcomed the presentation of an agenda for development, which showed that the development issue was receiving considerable attention from Member States. So long as the world economy continued to be dominated by a few developed countries, however, any documents or resolutions adopted would be unable to satisfy the concerns of the developing countries. An agenda for development should seek, first and foremost, to create economic relations that were beneficial to both developed and developing countries. He hoped that the Secretary-General's proposal would be further supplemented by constructive proposals, particularly those contained in the ministerial statement on an agenda for development issued by the Group of 77 in July 1994.

43. The Government of the Democratic People's Republic of Korea had long maintained relations of economic cooperation with other countries on the basis of building a self-reliant national economy. His Government had also enacted laws to encourage foreign investors and ensure their legitimate rights and interests, and would continue to promote international economic and technical cooperation on the basis of respect for sovereignty, equality and mutual benefit.

44. Mr. PEDROSO (Cuba) said that the work of the Second Committee should be broadened to include the search for long-term political solutions to the problems posed by soaring levels of poverty and underdevelopment in the southern hemisphere. It was a matter of concern to Cuba that after four United Nations Development Decades, the difficulties facing developing countries and, by extension, the entire world, were no less serious than before. Neither had the

ending of the cold war and of imminent nuclear danger brought about an increase in the extremely low level of resources available for development, or begun to establish the conditions necessary for the creation of a just, equitable and mutually beneficial international economic environment.

45. He agreed with the view expressed by other delegations that the commitments agreed at the United Nations Conference on Environment and Development to promote sustainable development had not been met by those countries which had contributed the most to the deterioration of the global environment. The lack of an appropriate response to those commitments called into question the credibility of the Commission on Sustainable Development and the ability of the international community to tackle global problems with genuine solidarity. The fundamental problem with all international strategies was the multiplication of conferences and programmes in the absence of sufficient means for their implementation.

46. In the real world, meanwhile, hundreds of thousands of people lived and died in a vicious circle of perpetual impoverishment, and the underlying causes seemed not to be affected by international development efforts. Governments' ability to act seemed more and more limited, while the international climate and economic adjustment policies sacrificed the interests of the most vulnerable sectors of the population.

47. His delegation therefore considered an agenda for development to be of the utmost importance and intended to comment on it in detail once the Secretary-General's report was issued. As the Cuban Minister for Foreign Affairs had noted when he had addressed the General Assembly in plenary meeting, an agenda for development should not be allowed to become a substitute for other important development efforts which had proved successful. Nor would it be desirable to exceed legislative mandates in the process of restructuring the economic and social sectors of the Secretariat and intergovernmental bodies. It would also be unfortunate if the agenda promoted a set of concepts that did not reflect a consensus on the part of the international community. The agenda should focus on the areas of technology, trade and finance, which were the sectors that enabled developing countries to approach growth and development in a dynamic way. In that way, the agenda would help to reduce those countries' dependency on international aid. Only then would it be possible to abandon the paternalist approach to development.

48. With regard to the restructuring of the economic and social sectors, partial and out-of-context interpretations of General Assembly resolution 48/162 must be avoided. That resolution was the outcome of a process begun by General Assembly resolution 45/264 and should be considered in that context. Efforts to improve coordination within the United Nation system should not compromise the independence and the individual mandates of the various organs, agencies and programmes.

49. Lastly, his delegation fully supported the statement made by Algeria on behalf of the Group of 77 and China.

50. Mr. DOUKAS (Greece), speaking in exercise of the right of reply, said that, in his statement at the 5th meeting, the representative of the former Yugoslav Republic of Macedonia had incorrectly referred to the name of that country. The correct name was stated in Security Council resolution 817 (1993), under which the State in question had been admitted to membership in the United Nations, and which stipulated that it was to be provisionally referred to for all purposes within the United Nations as the former Yugoslav Republic of Macedonia pending settlement of the difference that had arisen over the name. That difference had not yet been settled.

51. It was regrettable that the former Yugoslav Republic of Macedonia had chosen to take up the Committee's valuable time to launch a frontal attack against Greece. The Committee was not an appropriate forum in which to discuss political issues. Nevertheless, he felt that he should add, for the sake of information, that Greece had made all possible efforts to safeguard peace and stability in the region, and had repeatedly and officially offered the former Yugoslav Republic of Macedonia its economic support and assistance, including the use of Greek seaports, provided that the Skopje Government would abandon its expansionist policies towards Greece, policies which posed the only serious threat to stability in the region.

52. Mr. DŽUNDEV (the former Yugoslav Republic of Macedonia), speaking in exercise of the right of reply, said that he had listened with interest to the statement of the Greek representative regarding Macedonian-Greek relations and wished to make a clarification. The representative of Greece had consciously tried to confuse the issue by once again interpreting Security Council resolution 817 (1993) incorrectly. It was well known to all present, including the representative of Greece, that his country's name was "the Republic of Macedonia". No decision or resolution of the United Nations obliged his country to refrain from using that name. Such a demand would be contrary to international law. His delegation would therefore, now and always in the future, refer to its country by its name which was "the Republic of Macedonia", in full compliance with Security Council resolution 817 (1993).

53. Regarding the decision of the Greek Government to deny his country's right as a land-locked State, it would have been greatly preferable if the representative of Greece, instead of defending his Government's decision or seeking explanations for such a decision, which was illegal under international law, had taken the opportunity to announce that his Government intended to rescind its decision, as anticipated by the world community, and particularly by the European Union. Obviously, the political will and courage to do so did not yet exist.

54. As his delegation pointed out in its previous statement, Greece was responsible for the huge problems and damage that his country's economy was experiencing. The best course for both countries, in the interests of both the Macedonian and Greek economies, would be for that decision to be rescinded as

soon as possible. He was confident that, in the future, relations between the two countries would improve and would set an example for the development of good-neighbourly relations.

The meeting rose at 7.25 p.m.

UNITED NATIONS
General Assembly
FORTY-NINTH SESSION
Official Records

SECOND COMMITTEE
8th meeting
held on
Thursday, 13 October 1994
at 10 a.m.
New York

SUMMARY RECORD OF THE 8th MEETING

Chairman: Mr. KHAN (Pakistan)

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GENERAL DEBATE (continued)

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The meeting was called to order at 10.15 a.m.

GENERAL DEBATE (continued)

1. Mr. ELIASHIV (Israel) said that despite a modest recovery of the world economy, approximately one third of mankind continued to live in poverty and the gap between rich and poor countries was still widening. The International Conference on Population and Development, held at Cairo, had adopted a holistic approach to the problems of population, development and the environment and had emphasized the role of women. Because economic and social development were interrelated, it was essential to encourage patterns of economic growth which promoted social progress. It was possible to achieve a balance between economic growth and social justice by placing job creation, poverty alleviation and investment in people at the centre of economic policy.

2. His country attached great importance to the Fourth World Conference on Women: Action for Equality, Development and Peace, which would provide an opportunity to enhance the role of women in public life and development. It also attached considerable importance to the elaboration of the International Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, particularly in Africa. His country already had undertaken activities in that field and was willing to share its experience and know-how with other countries in the region, as well as with countries in Africa, Asia and Latin America. It also supported the Programme of Action adopted at the Global Conference on the Sustainable Development of Small Island Developing States and stood ready to present concrete proposals for such cooperation to interested parties.

3. One of the primary objectives of the United Nations in recent decades had been to enhance international cooperation for development. In that regard, his delegation welcomed the initiatives of the Secretary-General on the "agenda for development", which provided a proper framework for further constructive discussion. The fiftieth anniversary of the United Nations would provide an opportunity to reappraise and revitalize the Organization's activities and would enable all nations to make a concerted effort to reach an agreement on an agenda for development and on its implementation through specific programmes. The implementation of Agenda 21 opened new vistas with regard to sustainable development. The activities of the Commission on Sustainable Development and other relevant United Nations bodies should be encouraged and pursued.

4. In Africa, where the economic situation continued to deteriorate, his country would continue its bilateral and multilateral cooperation, particularly within the framework of the United Nations, and would support the implementation of the United Nations New Agenda for the Development of Africa in the 1990s.

5. Although technical progress contributed to sustainable development, the human factor was also important and increased attention therefore should be directed to human resource development, training and the transfer of technology. His country, for its part, had cooperated with more than 90 countries and had

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trained over 40,000 men and women from developing countries, mainly in agriculture, health and education.

6. Regional cooperation was an essential element of economic progress. Historic progress had been accomplished in the Middle East during the preceding year. The Palestinians now had authority in Gaza and Jericho, the Washington Declaration had ended the state of war between Jordan and Israel, and an economic conference to be held soon at Casablanca would provide an opportunity to elaborate an agenda for a new Middle East. The goal of the conference was to support peace by strengthening economic cooperation and development.

7. Mr. SULIMAN (Malaysia) endorsed the statement made earlier by the Chairman of the Group of 77. During the past 50 years, although the wealth produced by mankind had multiplied seven-fold, the distribution of that wealth had remained largely unchanged. Moreover, the factors of production remained concentrated primarily in the hands of a few industrialized countries.

8. The increase in poverty and starvation also was a cause for concern, as was the indebtedness of many developing countries, where debt servicing diverted resources from sorely needed social programmes. The structural adjustment programmes imposed by the Bretton Woods institutions posed serious difficulties for many developing countries. Import liberalization, the elimination of subsidies, the deregulation of currencies and deficit reduction often had negative consequences.

9. Those global problems must be addressed in the agenda for development, which should be the cornerstone in the search for a new paradigm of international development cooperation, and the United Nations was the only institution capable of ensuring a comprehensive and integrated approach to peace and development. The revitalization of the Economic and Social Council should enable it to coordinate and harmonize policies emanating from other bodies.

10. Since 1971, his country had succeeded in improving the quality of life of its population. For example, the incidence of poverty had declined from 49.3 per cent in 1970 to only 13.5 per cent in 1993, and per capita GNP had risen from US$ 410 to US$ 3,275.

11. The United Nations must find effective mechanisms for the promotion of international development cooperation which should contribute to the elimination of all structural impediments to growth and international development and also enable the developing countries to play a more active role in the world economy. Economic and structural imbalances could be overcome if the political will to do so existed.

12. Development cooperation had two important aspects: the effectiveness of the administrative machinery in policy formulation, programme implementation and coordination and evaluation on the one hand, and the financial resources for development activities on the other. Regarding the first aspect, without a careful study of the changes recently introduced with a view to strengthening the role of the Economic and Social Council in the area of development, it would

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be premature to set up an economic security council, which would face the same problems as the Security Council, particularly where transparency and participation were concerned. It was important that the developed countries should fulfil their commitment to allocate 0.7 per cent of their gross national product (GNP) to official development assistance (ODA). Moreover, during the restructuring of the United Nations in the economic, social and related fields, it had been understood that increased resources would be provided to the programmes and funds for their operational activities. Instead, after two years, there had been a significant slide in the resources allocated for such activities. The ODA commitment had in fact dipped from 0.33 per cent of GNP to 0.29 per cent. In that connection, the industrialized countries should also apply specific measures aimed at macroeconomic stabilization.

13. Mr. BHATIA (Observer for the International Monetary Fund (IMF)) said that he had just returned from Madrid, where he had attended the annual meetings of the International Monetary Fund (IMF) and the World Bank. Many of the topics discussed at Madrid also appeared on the Committee's agenda. He had been impressed by the commonality of vocabulary: "putting people first", "compassion", "human resource development", "poverty alleviation", "employment-led growth" and "good governance" had often been used at Madrid. That language reflected a consensus reached by economic policy makers not only on a policy framework - the "Washington consensus" - but also on the goals and objectives of structural adjustment and development policies. That consensus constituted an "enabling environment" for furthering collaboration between the United Nations and the Bretton Woods institutions, particularly since the Committee and other United Nations forums had a demonstrated growing appreciation of sound macroeconomic policies.

14. A special conference had been held in Madrid to reflect on the performance of the Bretton Woods institutions over the past 50 years and their future role. Participants had included not only staff members from those two institutions, but also high-level government officials and ministers, academics and representatives of prestigious research institutions and non-governmental organizations. They had generally acknowledged the unprecedented economic and social progress made over the past 50 years, to which the Bretton Woods institutions had made significant contributions through their policy advice as well as financial and technical assistance that was both flexible and rigorous. They had also, however, highlighted failures and disappointments, particularly in terms of the record on development assistance, the number of countries that had yet to achieve sustainable growth and the initially disappointing reward from adjustment and reform. In addition, although development agendas remained enormous, the original objectives and mandates of the two institutions were still relevant, even if it was necessary to adapt to new circumstances. IMF should focus its efforts on "surveillance" and ensure greater policy coordination, particularly among the industrialized countries. Growing globalization made that task even more essential since it could minimize negative spillovers of policy mistakes. In that context, it might be useful to strengthen the role of the Interim Committee, which, as the Fund's Managing Director had noted, is "the only forum where economic policy makers representing

the entire world - central bank governors and finance ministers - meet twice a year to reach understandings on policies and policy cooperation".

15. The meetings had always focused on the world economic outlook, access to IMF resources and the question of special drawing right (SDR) allocations. On the first, there had been a distinct sense of optimism. In 1995, for the first time in seven years, world growth might exceed 3.5 per cent, with North America, Latin America, Europe and East Asia, as well as some South Asian countries participating in that growth. That achievement was overshadowed, however, by various problems and policy failures, particularly high unemployment, weakened savings performance and unsatisfactory growth in Africa and many developing countries in other parts of the world. Unlike in the past, however, the widespread recovery should reinforce national and geographical recoveries, as well as afford greater trading and growth opportunities for other countries, provided they pursued appropriate policies.

16. The general sentiment had been that the world should not miss the opportunity offered by the present recovery to secure sustainable growth that was more broadly based and people-centred. It was to that end that the Interim Committee, following the success of its 1992 Declaration of Cooperative Strategy for Growth, had adopted its Declaration to Strengthen Global Expansion. That strategy had three main goals: non-inflationary sustainable growth, reduction of unemployment and raising living standards world wide. The Declaration contained three policy elements: active use of monetary policy to avoid a rekindling of inflation, budgetary consolidation and measures to attack structural elements of unemployment. It also emphasized that international cooperation was a necessary element in achieving sustainable growth. That implied a partnership not only between nations, but also between the various member institutions of the United Nations family. In its catalytic role as a catalyst for development, IMF placed special emphasis on that partnership, particularly with the World Bank, but increasingly with United Nations institutions as well. The Secretary-General's forthcoming agenda for development should also enhance collaboration within the United Nations family and among those who participated in development. The discussions on that agenda in the General Assembly should lead to concrete proposals that preserved the best existing collaboration practices, built on the principles of complementarity and subsidiarity, and were likely to be supported by a consensus.

17. In contrast to that unanimity of the perception and purposes of global growth, the Madrid meeting had been divided on the question of a new SDR allocation. At issue was whether that allocation should be both special - that is, mainly for member countries who had not participated in earlier allocations, which would require an amendment of the Articles of Agreement - and general, or only special. Many industrialized countries had supported the special allocation, whereas developing countries had wanted both the special and general allocation. Apart from the issue of allocation, discussions on the financial package had included an increase in the annual access limits to IMF resources and an extension of the System Transformation Facility. Discussions on the SDR allocation had been protracted and difficult. No decision had been taken, as an

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85 per cent majority was required. The Chairman of the Interim Committee had therefore been asked to conduct consultations on the subject, as well as on the extension and expansion of the System Transformation Facility.

18. Subsequent informal discussions had revealed greater understanding of the various issues involved, and it was to be hoped that a solution would be found that would attract consensus. Many had viewed that episode as highlighting the traditional North-South conflict, although it was perhaps more a manifestation of new economic realities and of the growing importance of new economic nuclei, suggesting that the representation of countries in the Fund's financial structure, management and operation ought to reflect the new international economic situation. However, it had been possible to reach an agreement to raise temporarily the annual access limit to Fund resources under the stand-by arrangement and the extended Fund facility from 68 per cent to at least 85 per cent.

19. The British Chancellor of the Exchequer had proposed that IMF should sell part of its gold to help the poor and indebted countries pay their debts. The Interim Committee had recognized those countries' difficulties and had requested the Executive Board to examine the various proposals for assistance, including the British proposal.

20. The discussions in Madrid had covered many topics, including enhancing the effectiveness of aid, which was a matter for the Committee, and coordination with other institutions. The general sentiment had been that there was no need to set up a new institution but rather to improve coordination between the Bretton Woods institutions and other multilateral institutions.

21. Mr. MABILANGAN (Philippines) endorsed the statement made by the representative of Algeria on behalf of the Group of 77. The world was still witnessing deep political changes and significant progress in the sphere of international development cooperation. However, many countries continued to suffer from underdevelopment. The United Nations was the best placed organization to seek an integrated solution to the problems facing mankind. It should reaffirm its role in preventing conflicts and promoting international cooperation to solve economic, social, cultural or humanitarian problems. To do so, it had to focus attention on the basic causes of conflict and solve them through concrete, constructive and pragmatic approaches.

22. In that regard, the proposed agenda for development was most timely. It should help to highlight those factors that predisposed nations to economic, social and political instability. The commitments already made and those to be made at Copenhagen, Beijing and Istanbul were certainly significant. However, commitments that remained unimplemented or that were implemented with reservation would not yield positive results. Realistic scheduling would prompt all Governments to demonstrate their political will to honour their commitments. Such a schedule should provide for the reallocation of funds earmarked for arms to development programmes, the conversion of military establishments and installations to civilian uses, an increase in ODA to 0.7 per cent of GNP and a definitive solution to the external debt problem. While peace-keeping

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operations were valuable, one should consider whether it would not have been better to devote the amounts spent on them in recent months to fuller implementation of priority development programmes.

23. As the Secretary-General had observed, "Development is the most secure basis for peace". However, for each nation to realize its full development potential, it was necessary to set priorities, and above all to focus on eradicating poverty and raising the quality of life of peoples. Other measures were also required regarding: first, the provision of sufficient financial resources to achieve development objectives and, subsequently, the effective implementation of capacity-building programmes. In that context, the conclusion of negotiations on the General Agreement on Tariffs and Trade (GATT) and the establishment of the World Trade Organization should produce gains for the developing countries. Yet gains in trade would not make it possible to attain development targets as long as the debt problem persisted. Accordingly, the search for a durable solution to that problem must be a priority. Capacity building could also be an important subject for North-South dialogue and for South-South cooperation.

24. Over the years, the Second Committee had considered and adopted numerous resolutions on economic and development issues. At present it was more important to concentrate on fewer resolutions and to focus on priorities.

25. Provided that it focused on human beings, economic growth inevitably led to social development. All the United Nations agencies, the Bretton Woods institutions, donor countries and recipient countries, as well as non-governmental organizations and private enterprises should be guided by an agenda for development in seeking global peace and stability. For its part, the Economic and Social Council should strive fully to perform its role as coordinator. If the United Nations was to become a truly effective world body on the threshold of the twentieth century, it was necessary to restructure and revitalize not only the economic and social sectors but the entire Organization on the basis of the principles of sovereign equality among States, universality, transparency and, above all, democracy in decision-making. Thus restructured and revitalized, the United Nations would be able, on the eve of its fiftieth anniversary, to play a more significant and credible role in the global quest for peace and security.

26. Mr. ELBATEL (Libyan Arab Jamahiriya) said that for a number of years a positive trend that seemed to favour peace and progress had been discernible in the international situation. However, to benefit from it, the resources released by reductions in military budgets should be promptly used to revive economic growth in the developing countries.

27. The international economic situation was such that the efforts made by the developing countries to develop long-term development strategies and lay down sound economic foundations were doomed to failure, thereby exacerbating political tensions. To remedy that, international coordination and cooperation should be strengthened. The current state of affairs was attributable in particular to the protectionist policies pursued by some of the industrialized

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countries _vis-à-vis_ the developing countries, to the conditions placed on the transfer of technology, to the decline of commodity prices and to the accumulation of debt.

28. The countries of Africa, including the Libyan Arab Jamahiriya, were the most affected by economic backwardness, and their position was further weakened by a number of coercive measures, such as the economic embargoes and the freezing of assets, which were designed to impose and enhance the hegemony of the developed countries.

29. The agenda for development should be formulated through a political dialogue and a mobilization of efforts. It should set out clear concepts and advocate effective measures to implement the development commitments undertaken. It should also provide for preferential treatment for the transfer of technology and for solutions to the most pressing economic and social problems.

30. Moreover, the agenda should include an analysis of the disastrous consequences of the sanctions imposed by the Security Council for the economy of certain countries. As the Libyan Arab Jamahiriya had repeatedly stated, and in particular in its letter dated 2 August 1994 (S/1994/921), the implementation of the Security Council resolutions had extremely harmful repercussions on the daily life of the Libyan population.

31. Lastly, the decision to convene the World Summit for Social Development, to be held at Copenhagen in 1995, and the Fourth World Conference on Women, to be held at Beijing in 1995, should be commended.

32. _Mr. NAMAKANDO_ (Zambia) noted that the agenda for development, whose objectives concerned both the North and the South, was at the centre of the debate during the current session. That debate should take place in a spirit of cooperation and partnership, and the United Nations should play a leading role, working together with Governments, non-governmental organizations and the private sector.

33. The agenda for development should aim at the optimum utilization of scarce financial resources and should adjust its recommendations according to the diverse problems faced by the developing countries, particularly the least developed countries, small island developing States and land-locked countries.

34. Even where developing countries had made efforts to revitalize their economic growth through stringent economic reform programmes, they were doomed to failure by the international economic environment. Commitments made at the major international conferences had not been met, and it was to be hoped that the programmes arising from conferences such as the Global Conference on the Sustainable Development of Small Island Developing States, the Cairo Conference on Population and Development and the forthcoming World Summit for Social Development would not suffer the same fate.

35. Countries imposing structural adjustment programmes, such as Zambia, faced the problem of unemployment. To solve it, they must develop the agriculture and

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service sectors, which would require adequate and carefully targeted international financing. Foreign direct investment also constituted a means of regenerating economic growth and, in order to facilitate it, Zambia had designed a liberalization programme.

36. True to its commitments made at the Rio Conference, Zambia had set up a national environmental protection strategy, in order to integrate environmental concerns into all its development efforts. Sustainable development was a broad concept, which included the fight against poverty and protection of the environment.

37. Falling commodity prices, the lack of appropriate technology and the absence of diversification in the economies of the least developed countries were all factors which resulted in abuse of the land, thus contributing to its degradation. Poverty in rural areas posed a threat to ecosystems because, in order to live, the people exploited the only source of livelihood available. Therefore, those economies must be diversified, environmentally friendly methods of farming and land management encouraged, and the terms of trade improved.

38. His delegation welcomed the successful completion of the Uruguay Round and hoped that the World Trade Organization would soon be established.

39. With regard to agenda item 91, the United Nations should accord a more visible role to training and research by means of the United Nations University and the United Nations Institute for Training and Research.

40. Mr. BALZAN (Malta) said that the United Nations had been criticized recently for focusing too much of its energy and resources on peace-keeping operations. The current session of the Second Committee, however, would focus in particular on development issues. Moreover, in his report entitled "An Agenda for Development" (A/48/935), the Secretary-General had set the tone by emphasizing that "development is the most secure basis for peace" and that "while there is war, no State is securely at peace". Development and security were entirely interdependent.

41. A number of conflicts, tracing their origins to ethnic, religious or political differences or to extreme poverty, continued to ravage many countries, from the former Yugoslavia to Rwanda, at the same time causing setbacks in economic and social development.

42. At the recent World Hearings On Development (A/49/320), peace, democracy, social justice, economic activity and the environment had been identified as the core of development. It was generally recognized that world economic growth necessitated better macroeconomic management, taking into account the real interests of both developing and developed countries.

43. During the past year, even as economic growth world wide increased, the gap between developed and developing countries had continued to grow. The impact of the measures adopted at the Uruguay Round had not yet been seen. It was to be

hoped that the new World Trade Organization would monitor their implementation, thereby facilitating international trade relations.

44. The Human Development Report 1994 stated that poverty was the greatest threat to political stability, social cohesion and the environmental health of the planet. In 1992, more than 1.3 billion people in developing countries had been living in absolute poverty. Therefore, the adoption of resolution 48/183, proclaiming 1996 the International Year for the Eradication of Poverty, was most welcome.

45. The dignity of the human person must always remain at the centre of discussion on economic and social issues. The recent experience of the International Conference on Population and Development had shown that, because of the great complexity of problems related to people, coordinated and organized efforts were required. The education of women, health care, nutrition, education and environmental protection were all inextricably linked.

46. The specific purpose of the 1992 United Nations Conference on Environment and Development had been to address the protection of the environment in a context of sustainable development, and Agenda 21 contained guidelines leading to the attainment of that objective. Regrettably, the concrete results fell far short of the commitments. In its report on the work of its second session, the Commission on Sustainable Development stated that the overall financing of Agenda 21 and sustainable development programmes had fallen significantly short of requirements and that the modest progress made in some fields was solely to the credit of the Governments of the States concerned. On the other hand, he welcomed the holding of the Global Conference on the Sustainable Development of Small Island Developing States and the United Nations Conference on Straddling Fish Stocks.

47. The World Hearings on Development held in June and the International Conference on Population and Development held at Cairo in September were two examples of concrete action taken to address development issues in the true spirit of cooperation. Efforts to highlight the effect of social problems on security issues should be continued at the World Summit for Social Development, the Fourth World Conference on Women and the United Nations Conference on Human Settlements (Habitat II).

48. Malta supported the efforts of the Office of the United Nations High Commissioner for Human Rights to eliminate violence, discrimination and all human rights violations.

49. Development and security were inherently linked. Financing development was surely less costly than financing peace-keeping operations and reconstruction. Therefore, investments should be directed to ensure peace and security through development. It was impossible to speak of economic growth and the elimination of poverty, unemployment and environmental degradation within a development strategy that did not take into account the essential element of security. It was impossible to discuss development prospects without security and stability, just as it was impossible to talk of security without assuming sound

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development. The United Nations should be at the forefront of all initiatives aimed at solving the issues identified, and the restructuring process under way should enable it better to face those challenges.

50. Mr. AWAAD (Egypt) said that his delegation took pride in the fact that in the plenary meeting of the General Assembly as well as in the Second Committee, delegations had welcomed the successful outcome of the Conference on Population and Development held at Cairo and the unprecedented consensus achieved with respect to the adoption of the Programme of Action. The delegations attending the current session of the General Assembly and the substantive session of the Economic and Social Council would no doubt continue the constructive dialogue initiated in the run-up to and during the Conference. It was to be hoped that the interest shown in the Cairo Conference and Programme of Action would not wane and that the Conference's conclusions would be duly taken into account at the Copenhagen, Beijing and Istanbul conferences.

51. His delegation supported the statement made by the Algerian delegation on behalf of the Group of 77, especially with regard to the agenda for development. His delegation, like others, had warmly welcomed the Secretary-General's report on that question, issued in May 1994. During the debate on that report and at the substantive session of the Economic and Social Council in June and July 1994, Egypt had expressed the hope that the new document would propose the adoption of concrete, realistic and well-defined measures. Egypt was sure that its expectations in that respect would be met and that the substance and recommendations of the report would not overemphasize purely institutional measures but would stress the need to increase transparency within the United Nations and highlight problems relating to resources and financing mechanisms which constituted the driving force of development. The agenda for development should also take into account the specific problems of Africa which, unlike other continents where the economic situation was improving, was facing increasingly serious difficulties and ever more acute and complex crises. In that regard, the establishment under the African Development Bank of the diversification fund for Africa's commodities mentioned in the United Nations New Agenda for the Development of Africa in the 1990s was a matter to which the African countries attached considerable importance. The General Assembly should approach the issue in an open and generous frame of mind.

52. Africa, a continent where the incidence of drought and the spread of desertification were becoming increasingly alarming and had serious economic, environmental and social consequences, heartily welcomed the International Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, particularly in Africa, which should soon be opened for signature. That was why all the parties concerned should do their utmost to ensure that the Convention was widely disseminated and attained its objectives. The Convention should be treated on an equal footing with the United Nations Framework Convention on Climate Change and the Convention on Biological Diversity, and desertification control activities should receive appropriate financing.

53. The deterioration in international cooperation for development, the inadequacy of the financial resources allocated to operational activities for development, the instability of the international monetary system, the collapse of commodity prices, the increasing indebtedness of developing countries and the difficulties they were having in exporting their commodities created an environment which militated against the establishment of a fruitful partnership and was likely not only to widen the gap between the rich and the poor but also to lead to an international order governed by the law of the jungle where the poor would be marginalized. In that regard, the discussions and consultations held at the current session of the General Assembly were critical because they could facilitate the search for solutions to those problems and help to forge genuine partnership links likely to lead to concrete action.

54. Mr. NHLAPO (South Africa) said that his country, which had just been readmitted to the community of nations, had participated and intended to participate in various conferences and world summits, thus demonstrating its commitment to Africa, to the developing world and to the international community as a whole.

55. While South Africa unreservedly supported the efforts of the Group of 77 to promote South-South cooperation, which was essential, it felt that developed countries should demonstrate their willingness to meet their commitments in terms of official development assistance. Relations between developed and developing countries should not be conducted in a confrontational manner; rather, the two groups of countries should establish a partnership for development. In that regard, he welcomed the call made by the President of the forty-eighth session of the General Assembly for an enduring dialogue between the Group of seven major industrialized countries and the Group of 77.

56. South Africa welcomed the report of the Secretary-General entitled "An Agenda for Development". His country hoped to see an action-oriented version of the report because what was currently needed above all were practical solutions.

57. Compared with other developing countries, South Africa was in the fortunate position of having managers and economic specialists who could ensure continuity and stability during the period of transition. The South African economy had therefore experienced an initial upturn in 1993. In the 12 months from July 1993 to June 1994, real gross domestic product had increased by 3.5 per cent while the inflation rate had fallen below 10 per cent. The budget deficit presented to Parliament in June 1994 was within manageable levels.

58. South Africa's international economic relations had been gradually normalized, as had its financial relations with the Bretton Woods institutions; it had secured a loan of $850 million from the International Monetary Fund and had access to World Bank funding for a number of reconstruction and development programmes.

59. The Government's reconstruction and development programme would require the allocation of substantial resources. To date, 35 billion Rands, a very significant percentage of the gross domestic product, had been allocated to that

programme for the next five years in order to create a more stable and prosperous South Africa. The reconstruction and development programme placed the individual at the centre of development. Resources from the most developed sectors of the country's economy would be mustered to provide support for the underdeveloped sectors.

60. The experience thus acquired by South Africa would enable it to play a useful role in the development efforts undertaken by the United Nations and its specialized agencies.

61. Mr. SY (Observer for the Organization of African Unity) said that the idea of development had changed: in the early 1950s it had been expressed almost exclusively in economic terms; since the 1980s, it had been broadened to include social issues and by the early 1990s it had been further expanded to cover environmental problems. At the same time, the international community had endeavoured to cope with all the challenges of development and to ensure that the standard of living in all regions of the world was improved.

62. The World Economic Survey, 1994, published by the Department for Economic and Social Information and Policy Analysis, indicated a slight recovery in the world economy which was expected to continue in 1995; that upturn was largely attributable to the growth in the industrialized countries. The transition economies as a group had entered a phase of transformation in which some of them had begun to grow again. Among the group of developing countries, the growth of the newly industrialized countries of South-East Asia and Latin America continued to give some momentum to world economic development.

63. For many African countries, the difficulties remained considerable. In 1994, the growth rate for the continent was well below what had been projected. That poor performance was attributable to a number of factors: unfavourable climatic conditions, the external debt burden, inadequate external financial support, political and social strife, to name a few.

64. The international community must therefore refocus its efforts on global development issues. Equitable global development was known to be beneficial to both developed and developing countries in the long term. During the current session, the Second Committee must therefore promote international development and galvanize the international community into supporting economic growth in Africa.

65. External debt remained the chief obstacle to such growth. The report of the Secretary-General on the matter (A/49/338) stressed that current debt relief efforts were inadequate to solve the problems of developing countries. Africa hoped that the debt of the least developed countries would be written off and that special measures would be taken to assist other severely indebted countries.

66. The paucity of foreign capital flows was also a major obstacle to the development of Africa. According to the report of the Secretary-General on the net transfer of resources (A/49/309), the early 1990s had witnessed a turnaround

in the net financial transfer in favour of the developing countries; unfortunately, in the African countries, that had not been the case. In the African countries on the whole, the net financial transfer had remained negative. Net official flows to African countries had even declined in real terms in recent years. Africa therefore hoped that foreign investment would increase and that the developed countries would honour their commitment to allocated 0.7 per cent of their gross national product to official development assistance.

67. The importance of foreign trade to the development of Africa was well known. Certainly, the increase in the prices of certain primary commodities in 1994 was an encouraging sign. On the other hand, an improvement in the foreign trade of African countries would hinge on the diversification of their commodities. That idea had already been put forward and the establishment of a diversification fund for Africa's commodities had been proposed. Its establishment was urgent in view of the unpredictable nature of prices and the demand for certain primary commodities, and of the need to lay the groundwork for sustainable economic growth in Africa.

68. Africa welcomed the conclusion of the Uruguay Round; it was to be hoped that that would facilitate the access of developing countries to international markets. The agenda for development currently under discussion offered a new framework in which to study the development issues affecting African countries, without, however, compromising the interests of other developing regions.

69. Mr. STAIKOV (Bulgaria) noted that profound changes in the modern world clearly demonstrated that peace, economic growth, the environment, social justice and democracy were interdependent elements of development and welcomed the fact that that idea was put forward in the report of the Secretary-General on an agenda for development. The United Nations should take into account each of those five dimensions of development in order to be more responsive to new development realities and promote sustainable development.

70. After the recent International Conference on Population and Development, the forthcoming conferences on social development and on women should help to define further the concept of sustainable development with a human face.

71. Since the prospects for social justice and stability in the world were largely dependent on the state of the world economy, the positive trends registered since the beginning of the year were encouraging. After a period of global recession, the industrialized countries showed signs of economic recovery and certain developing countries were also experiencing growth. Persistent imbalances at the global and regional levels should be avoided, as they could jeopardize economic recovery.

72. The integration of the Central and Eastern European transition countries into the world economy was accelerating and could contribute to recovery. In view of the difficulty and the complexity of the tasks that lay ahead, it was to be hoped that the United Nations and its specialized agencies would continue to intensify their efforts to facilitate that process.

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73. Bulgaria had made particularly intense efforts to evolve towards a market economy. The reform process was taking place there under extremely complicated conditions, aggravated by a number of factors - severe indebtedness, the existence of outdated economic structures inherited from the past, and the radical disruption of its traditional economic relations. In 1991-1993, its gross domestic product had shrunk by about 30 per cent and, by the end of 1993, the unemployment rate had been 16.8 per cent. The real income of the population had dropped sharply.

74. Despite those difficulties, progress had been achieved in the liberalization of the economy and macroeconomic stabilization, and the privatization process had accelerated. The Parliament had adopted legal instruments for adaptation to a market economy.

75. In 1994, his Government had adopted an ambitious programme to reduce inflation, arrest the decline of production, give fresh impetus to structural reform and replenish its foreign exchange reserves. Some positive results had been achieved and it was to be hoped that the agreements concluded with the creditors of the London club and the conclusion of a third stand-by arrangement with IMF would bring complete stability to the Bulgarian economy. Obviously, the task would be much more difficult without adequate international support. Such support was necessary particularly because Bulgaria had suffered as a result of the measures taken by the Security Council under Article 41 of the Charter of the United Nations. The imposition of sanctions against three countries (Iraq, Libya and the Federal Republic of Yugoslavia (Serbia and Montenegro)), particularly the latter, had had very grave consequences for the Bulgarian economy. The burgeoning private sector had been particularly hard hit. Bulgaria's normal trade links with European markets had been cut off. Bulgarian exports were much less competitive and at times even completely blocked.

76. Bulgaria appreciated the international community's understanding and support for its efforts to implement reform. In that context, investment, project financing and access to international markets acquired ever-growing importance. Bulgaria accorded top priority to its integration into the European Union and to the strengthening of its trade relations with other countries.

77. His delegation welcomed the conclusion of the Uruguay Round, which opened up excellent prospects for international trade. It intended to become a member of the new World Trade Organization.

78. In conclusion, Bulgaria would support all measures aimed at achieving economic stability and sustainable development. It was to be hoped that the Conference of Ministers of the Environment of the European Countries, to be held at Sofia in 1995, would help to give impetus to the movement already under way and resolve the environmental problems of Europe.

79. Mr. TAN (Singapore) said that, according to the World Economic and Social Survey, 1994, world output had increased by more than 2 per cent in 1994; that forecasts for 1995 were even more optimistic, but that at the same time economic

and social development continued to be impeded by political and ethnic unrest, unemployment in the developed countries, poverty and adverse weather conditions, particularly in Africa.

80. In the aftermath of the cold war, countries were now placing more emphasis on improving the quality of life of their peoples. As was pointed out in the ministerial statement on "An Agenda for Development" adopted by the Group of 77, now was the appropriate moment to address global development issues. The question was one that should be discussed within the United Nations as a matter of urgency, and Singapore was looking forward to receiving the new report of the Secretary-General on "An Agenda for Development".

81. The successful conclusion of the Uruguay Round attested to the political will of the international community to liberalize international trade. Singapore welcomed the establishment of the World Trade Organization (WTO), and had offered to host the first WTO Ministerial Conference. Having prospered as a result of its free trade policy, Singapore would work to ensure that protectionism did not impede the growth prospects of any country, particularly the developing countries. Disguised forms of protectionism such as the linkage of social clauses or environmental and labour standards with trade should also be resisted.

82. Environmental protection was also an important aspect of sustainable development. Singapore, which had enjoyed rapid economic growth, had been able to preserve its environment through careful planning and investment in environmental infrastructure.

83. Singapore welcomed the success of the Global Conference on the Sustainable Development of Small Island Developing States. It was now important to implement the Programme of Action adopted by the Conference.

84. The world economy continued to be marked by sharp contrasts. According to the World Economic and Social Survey, 1994, developed market economies accounted for 70 per cent of world output, while the developing countries, with 80 per cent of the world's population, produced only 20 per cent of world output. Yet, looked at as a whole, economic growth had been strong in the developing countries of East and South-East Asia, Latin America and the Caribbean, while population growth in those countries had been low. Some countries of those regions, such as Singapore, had had the good fortune to embark on their economic development in the favourable global environment of the 1960s, whereas competition for foreign direct investment was now much more intense and the economic climate less favourable.

85. In Africa, on the other hand, per capita output had been falling for a decade, and the international community would need to focus on the economic plight of the African countries. Among the problems those countries must resolve, mention was usually made of desertification and the debt crisis, but they had also to face political instability, adverse weather conditions, the AIDS epidemic and abject poverty. According to the World Bank, Africa was the only region in the world likely to experience an increase in absolute poverty

over the next decade. Private investment flows to Africa had been very limited, and aid would remain practically the only source of foreign capital until the end of the decade. The weakness of Africa's institutions also made reform difficult; yet there was no other alternative for Africa. A huge commitment from the international community would be necessary in that regard.

86. Unfortunately, the developed countries were now mired in their own economic and social problems, and poverty was not limited to the South. Poverty in the developed countries was, however, not as desperate or as widespread as in the developing countries, particularly in Africa and some parts of Asia.

87. As a result of their economic woes, the developed countries lacked the political will to assist Africa and the other developing countries. But, in the interdependent present-day world, the problems of Africa, which were likely to spill over into the rest of the international community, could not be ignored. It was essential that the developed countries should give priority to assistance to Africa.

88. For its part, Singapore, with its limited resources, continued to provide technical assistance to developing countries in Africa and Asia and to small island developing States, both bilaterally and through multilateral arrangements.

89. It was to be hoped that the current session would be the occasion for fruitful discussions to work out a revitalized framework for international economic cooperation to facilitate global economic growth for all countries, in particular the developing countries.

90. Mr. EVRIVIADES (Cyprus) noted that various international events augured well for the success of the current session: first, the International Conference on Population and Development had adopted a programme of action in which, for the first time, the questions of population, development and the environment, as well as the central role played by women in those three areas, were set in the context of sustainable development. The Committee would no doubt have to discuss the results of that Conference in depth. Furthermore, the successful completion of the Uruguay Round and the establishment of the World Trade Organization opened up new opportunities for growth through trade. Delays in ratifying the Uruguay Round agreements would be quite unacceptable. It was essential that the international community should stop the drift towards the marginalization of certain States, particularly in Africa, so that all countries could participate fully in the globalization of trade. In that way the developing countries would become effective partners in the world economy, a source of wealth and economic security. It was, however, morally and politically unacceptable that, despite the success of the Uruguay Round, famine should destroy some 18 million human beings every year and that 800 million individuals should continue to suffer from malnutrition when there was over-production of foodstuffs. Food security was the most basic of human rights.

91. His delegation joined other delegations in welcoming the first report of the Secretary-General on "An Agenda for Development" and supported the

Secretary-General's efforts to create a culture of development. It shared his far-reaching vision of development, encompassing five dimensions: peace, the economy, the environment, social justice and democracy. The close interlinkages between those issues formed a sound basis for an action-oriented programme that would recognize the fundamental right of States to develop economically. An integrated approach must be adopted to address such basic issues as poverty, illiteracy, health and the welfare of women. In formulating the action programme for development, account must also be taken of the Programme of Action adopted by the World Conference on Human Rights, held in Vienna in June 1993. That Programme had been endorsed by the Commonwealth Heads of Government Meeting in Cyprus in October 1993.

92. Finally, as an island developing State whose very existence was at stake, Cyprus attached paramount importance to the fulfilment of the commitments undertaken at the Global Conference on the Sustainable Development of Small Island Developing States, which it saw as the first test of the international community's resolve to fulfil the commitments undertaken at Rio de Janeiro.

The meeting rose at 12.55 p.m.

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General Assembly
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SECOND COMMITTEE
9th meeting
held on
Friday, 14 October 1994
at 3 p.m.
New York

SUMMARY RECORD OF THE 9th MEETING

Chairman: Mr. KHAN (Pakistan)

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AGENDA ITEM 105: REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS

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Distr. GENERAL
A/C.2/49/SR.9
26 October 1994

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The meeting was called to order at 3.15 p.m.

AGENDA ITEM 105: REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS (A/C.2/49/5 and A/49/336)

1. The CHAIRMAN drew the Committee's attention to a letter dated 10 October 1994 from the President of the General Assembly to the Chairman of the Second Committee (A/C.2/49/5), and suggested that any delegation that had comments on the Secretary General's report on the restructuring of the Secretariat (A/49/336) should submit them, in writing, to him [the Chairman]; he would ensure that they were transmitted to the Chairman of the Fifth Committee. If he heard no objection, he would take it that that procedure was acceptable to the Second Committee.

2. It was so decided.

AGENDA ITEM 90: OPERATIONAL ACTIVITIES FOR DEVELOPMENT (A/49/71, A/49/133-E/1994/49 and Add.1, A/49/204-E/1994/90, A/49/205-E/1994/91, A/49/256, A/49/326, A/49/381 and A/49/462 and Corr.1)

3. Mr. JOLLY (Deputy Executive Director of the United Nations Children's Fund (UNICEF)) said that, as pointed out in the Secretary General's report on the implementation of General Assembly resolution 45/217 on the World Summit for Children (A/49/326), the Summit had already helped produce highly significant results at the national and international levels. Over the past 10 years, infant deaths from neonatal tetanus had dropped from one million a year to just over half a million and there had been no cases of polio registered in the western hemisphere for the past three years. Moreover, impressive progress had been made in reducing the incidence of measles and guinea worm disease.

4. Such progress had been attributable to United Nations cooperation with Governments, non-governmental organizations, and United Nations bodies at the field level, and to the preparation of national programmes of action, which adapted the global commitments to the specific situation of each country. Ninety-three national programmes of action had been finalized and many more were currently in draft or in preparation. Eighty per cent of the world's children lived in countries where a national programme of action had been completed, and 90 per cent lived in countries where there was a national programme of action in draft or in preparation, or in which a national programme of action had been completed. That provided the framework for practical commitments at the country level, which must then be monitored.

5. The World Summit for Children had originally focused on goals for the year 2000. Subsequently, goals had also been set for 1995, and it had been found that the preparation of mid-decade goals served as a stimulus for the achievement of those goals. It had also been found that the transition from a national programme of action to programmes of action for provinces or major cities was an important way of making the reality of the commitments very visible to those responsible for their implementation. Some 50 countries had

decentralized their national programmes of action, and another 26 countries were currently in the process of doing so.

6. If the World Summit for Social Development was to live up to expectations, serious attention should be given to a follow-up process, which could draw on the experience of the World Summit for Children. Preparations for the World Summit for Social Development should focus on a few clear goals that could subsequently be used as the basis for national programmes of action and national follow-up action by different parts of the United Nations. National programmes of action should not involve Governments alone but should stimulate a national process that would mobilize all sectors of society. Civil society in the follow-up to the World Summit for Children had been just as important as formal government action. It was also important to monitor the progress of the World Summit for Social Development, which could be based on the procedure adopted for monitoring the progress of the World Summit for Children.

7. In their field operations, all parts of the United Nations should be committed to practical action in support of the goals of the World Summit for Children. UNICEF had found that the clear goals of the Summit had served as a stimulus for what its own country officers should be doing in support of Governments and, in many cases, non-governmental organizations to follow-up the goals agreed in 1990. Something of that process could also be used to stimulate efforts to revive the practical impact of the United Nations at the country level.

8. Mr. RAMOUL (Algeria), speaking on behalf of the Group of 77 and China, noted with regret that implementation of those provisions of General Assembly resolution 48/162 which concerned the financing of operational activities had not aroused the same enthusiasm as had the aspects concerning reform of the composition, size and management of the executive boards of funds and programmes. Such a selective approach ran counter to the consensus established at the outset that reform should contribute to the revitalization of operational activities.

9. Noting that efforts were being made within the UNDP Executive Board to identify ways to implement the new concept of the mission and role of UNDP through a refocusing of activities on four priority areas, namely, poverty eradication, women in development, job creation and environmental protection, he said that the Group of 77 and China felt that any change in approach should be based on the earlier consensus concerning multilateral development cooperation. Operationalization of the four priority areas should take place through an integrated approach to sustained economic growth and the overall development of the recipient countries in accordance with their national priorities and objectives.

10. As had been reaffirmed by General Assembly resolutions 44/211, 47/199 and 48/162, the fundamental characteristics of the operational activities of the United Nations system should be their neutrality and grant nature. The increasing tendency to impose political considerations or to introduce new concepts as conditions of access to resources was a matter of concern.

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11. The contribution of the specialized agencies to the development of the countries of the South had been invaluable; it had been particularly helpful in enabling those countries to gain access to training, transfer of technology and know-how. The scarcity of UNDP resources, however, added to the implementation of new support-cost arrangements, had aggravated the agencies' financial difficulties and affected their ability to intervene in developing countries. If that situation were to continue, several of the specialized agencies could disappear. The Group of 77 and China, therefore, fully supported the relevant recommendations contained in the report of the independent external evaluators on support costs.

12. Because of the sharp drop in official development assistance, coupled with a substantial reduction in its core resources, UNDP had revised and lowered its indicative planning figures (IPF) for the fifth programming cycle and had been forced to borrow against the resources for the next programming cycle. The discussions of the newly established working group which would study modalities or mechanisms to increase substantially financial resources for operational activities should not go beyond the mandate outlined in resolution 48/162; in any event it must complete its work by the end of the forty-ninth session.

13. While the Secretary-General's desire to increase the efficiency of the United Nations in the areas of development and international economic cooperation was understandable, the representative of Algeria drew attention to paragraph 19 of the Ministerial Declaration of the Group of 77 (A/49/462) which referred to the need for institutions that were involved in implementation of financial and technical cooperation programmes to be distinct from those involved in overall policy-making and coordination.

14. Mr. CARMICHAEL (Canada), speaking on behalf of Canada, Australia and New Zealand, said that the adoption of resolution 48/162 had led to substantive changes in the functioning of the Economic and Social Council and the executive boards of the United Nations development agencies, and had generated much discussion on the financing of development. There was a definite link between the triennial review of operational activities and that reform process. The momentum generated by resolutions 47/199 and 48/162 must be maintained, along with improved coordination of development efforts throughout the United Nations system.

15. The new responsibilities assigned to the Administrator of UNDP for ensuring policy coherence and enhancing coordination within the United Nations system should help to strengthen the linkages between emergency assistance, rehabilitation and long-term development, as a headquarters-level reflection of the dual roles of resident representatives and resident coordinators undertaken by individuals in the field. The country strategy note also had an important role to play in coordination. The elaborating of the note could be a time-consuming process, but in the vast majority of cases it made a substantial difference in effective targeting of development programmes. In an effort further to harmonize the work of the various executive boards, the agencies might experiment with joint country programme presentations to combined board meetings. That practice would provide a more comprehensive understanding of all

specialized agency activities in a single country. Efforts to harmonize the presentation of budgets and accounts in order to improve financial transparency and comparability were welcome. Coordination was a key operational principle of United Nations funds, programmes and agencies; it was also required of the members of the various executive boards.

16. Turning to the overall impact of the United Nations development system, the ability of agencies to demonstrate measurable progress towards specified goals was an integral part of achieving sustained financial support from Member States and in setting realistic priorities. The important linkages relating to peace-building must also be addressed. United Nations development organizations must increase their focus on preventing humanitarian emergencies by assisting Governments in building the social, economic and environmental foundations for peace. Joint evaluations of the impact of activities in a specific sector or field might yield particular benefit, would be cost-effective and would encourage harmonization of programming, beginning at the planning stage.

17. The Resident Coordinators held key positions in the United Nations development system, and the selection of the right individuals to fill those positions was crucial and deserving of serious attention.

18. Mr. KUDRYAVTSEV (Russian Federation) said that the questions of security and sustainable development were closely related and called for a comprehensive, integrated and universal approach to problems of international cooperation, an approach that would take full account of economic, environmental, technological, demographic and other factors. Joint action in those areas should have as their final goal the harmonious and safe development of the human personality, the satisfaction of basic human needs and guarantees of rights and freedoms, all of which were part of sustainable human development. Those goals and principles should be the basis of United Nations operational activities and serve as guidelines in the process of reforming such activities in the general context of the restructuring of the Organization's social and economic sectors.

19. The individualized programme approach, when coordinated with national plans and priorities, provided new opportunities to improve the effectiveness of technical cooperation. His delegation was pleased at the progress that had been achieved in that area by UNDP, UNICEF and the United Nations Population Fund (UNFPA). In order to increase national execution, greater efforts should be made to develop national capacities in recipient countries.

20. It was important to continue to improve inter-agency cooperation and coordination at both headquarters and field levels. That called for an enhanced coordinating role of the Joint Consultative Group on Policy and the Consultative Committee on Programme and Operational Questions (CCPOQ) of the Administrative Committee on Coordination (ACC). The role of resident coordinators should also be strengthened. Field coordinating committees, which brought together representatives of various organizations of the United Nations system should be strengthened and the programme cycles of the various organizations should be harmonized; in addition the mechanism for preparing country strategies for using

external assistance, should be improved with the active participation of United Nations field representatives and resident coordinators.

21. His delegation supported the efforts of UNICEF to assist countries in preparing national programmes of action for children and create and strengthen national capacities and institutions capable of improving the situation of children and defending their rights. Support should be given to the Fund in its efforts to achieve the mid-decade goals of the World Summit for Children. The Russian Federation was committed to achieving the goals of the Summit and a national plan of action would be submitted to the Government by the end of the year.

22. One of the most important conditions for the success of United Nations operational activities for development was the observance of its universal mandate. His delegation welcomed the useful activities of UNDP, UNICEF and UNFPA in the area of economies in transition, which supported the efforts of countries to carry out their own social and economic reforms. In the light of the extremely limited resources allocated for assistance to countries with economies in transition, efforts should be made to mobilize additional resources from diverse sources, which included the private sector. His delegation welcomed the decision adopted at the second regular session of the UNICEF Governing Council on the development of a regional strategy and programme of regional technical assistance to supplement the Fund's activities at the country level, and on the strengthening of the Fund's capacity at both the headquarters and country levels.

23. In a number of cases, UNDP resources should be used as "seed money" to generate other resources, and the Programme itself should encourage efforts to attract such resources, including resources from the private sector. The achievement of that goal would help transform the Division for Europe and the Commonwealth of Independent States into a regional bureau. His delegation had repeatedly drawn attention to that matter and considered that UNDP should take a positive decision in that area in the very near future. Any attempt to isolate the division or make only superficial changes would be contrary to the principle of universality of UNDP and would prevent the Programme from carrying out activities in Eastern Europe and the countries of the former Soviet Union to its full capacity.

24. Mr. GOUMENNY (Ukraine) said that the concept of sustainable human development could serve as a good basis for making United Nations bodies involved in operational activities a reliable instrument for achieving peace, democracy and development. Such bodies should, in particular, coordinate human development priorities with environmental, economic, social and political sustainability. At the same time, international cooperation for development should be in keeping with national goals and the interests of recipient countries. Operational activities could be improved by making greater use of the programme approach and national execution in project implementation in recipient countries. Technical assistance should become an organic part of national development programmes and help build national capacities.

25. In recent years, the significant decline in resources for operational activities for development had become a source of serious concern, since the United Nations could not meet its development assistance goals without an adequate and stable level of resources.

26. Only a very insignificant part of United Nations annual expenditure for development was used to carry out projects in countries with economies in transition. In preparing the guidelines for its sixth programming cycle, UNDP should allocate a level of resources that would be more in keeping with the needs of such countries, in particular, Ukraine. Such allocations should not be made at the expense of the developing countries.

27. Ukraine's transition to a market economy had been particularly painful. Over the past three years, Ukraine's national income had fallen by almost 40 per cent. In order to ensure its economic survival, Ukraine would have to stabilize its monetary system, restructure its taxation system and carry out reforms in the areas of banking and property. In carrying out those tasks, Ukraine would rely primarily on its own strengths and the industriousness of its people. However, it also valued external support for its efforts, in particular, the increased attention of UNDP and UNICEF to its transition to a market economy. His delegation hoped that Ukraine's cooperation with those agencies, as well as with other United Nations organizations involved in operational activities, would continue to expand.

28. Over the past few years, the UNDP office in Ukraine had been successfully carrying out a number of projects in spite of the low level of resources. The Government of Ukraine attached great importance to technical assistance it received to help it improve its management capacity, carry out administrative reforms, strengthen its health care and radiological infrastructure, become part of the Internet information system, and implement its programme for the settlement of the Crimean Tatars and other national minorities in the Crimea. Ukraine hoped that donor countries and international financial institutions would participate more actively in its projects.

29. UNDP should strengthen the necessary organizational structures needed to carry out its activities in countries with economies in transition. In particular, the Programme should transform its Division for Europe and the Commonwealth of Independent States into a regional bureau.

30. The improvement of the effectiveness of operational activities would in large part depend on the degree to which such activities were coordinated at the political, inter-agency and country levels. His delegation welcomed the new format for discussing operational activities at the recent substantive session of the Economic and Social Council. An improvement in inter-agency coordination would undoubtedly provide new opportunities for the sound use of existing resources for development purposes. In that regard, it was important to make full use of the potential of ACC.

31. Mr. HENZE (Germany), speaking on behalf of the European Union and Austria, said that, donor Governments might find more internal support for channelling

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funds through the United Nations if there was more transparency, increased efficiency and better coordination throughout the system.

32. The European Union had drawn attention at the recent substantive session of the Economic and Social Council, to the need to further strengthen implementation of General Assembly resolution 47/199 and to the special importance it attached to the country strategy note, the programme approach, the resident coordinator system, decentralization of activities to the field, common United Nations premises and the harmonization of programming cycles. In its view, there was no need for another General Assembly resolution on the subject, since the work on operational activities had already been completed during the Economic and Social Council session.

33. The European Union noted with interest the Secretary-General's request that the Administrator of UNDP should assist in improving overall coordination within the United Nations in the development field. Such a step would improve the operational activities system by introducing stronger guidance and better coordination and would also strengthen the resident coordinator system. The new governance structures for the funds and programmes appeared to be making good progress, although some improvements would be needed to maintain the momentum of the reform process and a clear-cut division of labour between the executive boards, the Economic and Social Council and the General Assembly.

34. The operationalization of an Agenda for Development would have major implications for operational activities. Member States in a dialogue among themselves and with the Secretary-General would decide on the future organizational structure and substance of United Nations technical assistance. In that context, and in the light of the importance that it attached to UNICEF, the European Union considered that the next Executive Director of the Fund should be a European, that would reflect the level of support these countries provided to UNICEF.

35. Mr. SWETJA (Indonesia) said that the Secretary-General, in his report on the work of the Organization (A/49/1), had stated that it was the task of the world community to redefine and bring to fulfilment the idea of development as a long-term solution to the root causes of conflict. His delegation believed, however, that the emerging concept of human-centred development together with a strong emphasis on economic growth was already accepted, and that a time-consuming redefinition of development would not be required. It was urgent, however, that the concept of development should be translated into practice within the framework of operational activities for development.

36. Two years had passed since the adoption of General Assembly resolution 47/199 on the triennial policy review. Whereas demand for operational activities for development continued to increase, there had been a sharp unprecedented downturn in available financial resources. If that situation persisted, the ability of the United Nations development system to discharge its mandate would be severely jeopardized. Concrete action and renewed commitments by the developed countries were, therefore, of particular importance. A new funding mechanism for operational activities must be created in order to ensure

predictability and continuity in resource flows. Despite efforts to increase efficiency, the administrative costs of programme delivery continued to increase. Current efforts to streamline and enhance coordination of operational activities could help to strengthen their capabilities and to provide increased funding.

37. In order to ensure the effectiveness and efficiency of project execution, procurement of expertise and equipment at field level should be fully decentralized, as recommended in paragraph 27 of General Assembly resolution 47/199. It was encouraging, in that respect, that national execution and the use of national expertise for UNDP programmes had increased significantly during 1993. Further improvements in those areas would contribute to efforts towards making recipient countries more self-reliant, which was the ultimate goal of operational activities for development.

38. Mr. KHAN (Bangladesh) said that programmes under operational activities must be made more responsive to national priorities and national planning authorities must become more involved in the planning and execution of such programmes. Thus, more attention must be paid to the enhancement of national capacity. In the formulation and implementation of projects at field level, priority should be placed on maximum utilization of local expertise. Resident coordinators had a crucial responsibility to provide leadership, but Governments must retain direct access to programmes, funds and expertise. While the programmes must allow for some flexibility, essentially, they must reflect a country's national goals and objectives.

39. In order to help Governments pursue their development objectives, the Resident Coordinator might also coordinate the humanitarian assistance of the United Nations system but without any political function whatsoever as that would undermine his neutrality and effectiveness at the field level.

40. There was growing concern that the United Nations was according more importance to conflict resolution and short-term humanitarian relief activities than to the development which alone could provide a sound basis for international peace and security.

41. Noting with concern that resources for operational activities continued to fall far short of actual requirements, he said that that situation was the result of a lack of political will and resolve on the international community's part. It was equally regrettable that, overall, the flow of official development assistance had declined in recent years. In that connection, the operational activities of the United Nations system should devote particular attention as well as new and additional resources to the least developed countries.

42. Before considering any new concept, the Committee should try to look into ways and means of strengthening the present mechanism and procedures of United Nations operational activities particularly within the framework of resolutions 47/199 and 48/162.

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43. Mr. TALPUR (Pakistan) said that any discussion of the operational activities of the system must take into account the fact that the developing world represented a landscape that varied from fast-growing, highly productive economies to those trapped in the vicious circle of poverty. While all developing countries would continue to need the high-quality technical advice provided by the United Nations system, the nature of the demand for developmental inputs from the United Nations system had changed. In future, the United Nations should focus its activities on areas where it was most needed and where bilateral and other multilateral assistance was not easily available. Moreover, in the economic and social field, the United Nations system had also been transformed as a result of planned and unplanned restructuring. The level of resources at the disposal of the system for operational activities had stagnated and the level of political commitment to the noble goals which had inspired those activities was in question.

44. It was a matter of concern that resources for United Nations development activities had been declining steadily and were becoming increasingly unpredictable. Paradoxically, at a time when the need for grant assistance had become critical, there had been greater reluctance on the part of donors to provide funding to the United Nations system.

45. Mr. AL-HABIB (Islamic Republic of Iran) said that much more should be done to enhance the efficiency, effectiveness and responsiveness of the United Nations operational activities. Full implementation of resolution 47/199 required increased coordination of the United Nations network of field offices, harmonization of programmes and cycles, adoption of a programme approach, more personnel at headquarters and in the field and increased financial support for United Nations development activities. In recent years, there had been a growing imbalance between the resources allocated to development activity and those spent on other activities, such as peace-keeping and emergency assistance.

46. It was essential to preserve the neutral and universal nature of operational activities for development and to ensure that they were not influenced by political considerations. Finally, United Nations operational activities in a country should be in keeping with considerations of the country's national plans and priorities. While his country supported the strengthening of the resident coordinator system, it strongly believed that the authority of the Resident Coordinators should not exceed what had been defined by the General Assembly.

47. Mr. SALANDER (Sweden), speaking on behalf of the five Nordic countries, said that the commitment that had been made at the World Summit for Children must be transformed into reality. In that regard, while the majority of countries had already formulated national plans of action, one of the most important steps in the process, such plans should be reflected in the political and financial decisions of Governments. It was also important to involve a broad spectrum of actors including the United Nations system and non-governmental organizations in the process.

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48. The aim was not simply to achieve a given quantitative target in a specific year. Results must be measured in terms of whether the improvement could be sustained over a period of time so as to ensure the well-being of children, who were the future. Consequently, clear and broad-based action was required in many areas: the promotion of democracy and human rights and, with particular respect to the implementation of the Convention on the Rights of the Child, in the areas of poverty, environment, education and health.

49. The Nordic countries strongly supported the important work of UNICEF in the follow-up to the Summit. As major donors to the activities of UNICEF, the Nordic countries had endeavoured to contribute to the developing countries' efforts to achieve the goals set out by the Summit. Other organs and bodies of the United Nations system should also play a role in promoting, within their specific competence, the enhancement of the situation of children.

50. Mr. GAMZOU (Israel), noting the progress made in achieving the goals of the World Summit for Children, said that much work remained to be done. Beyond the chronic problems, acute crises such as the one in Rwanda had demanded extra efforts on the part of the international community. Israeli doctors, including paediatricians, who had manned the field hospital established by Israel, had treated hundreds of refugees, the majority of whom were orphaned children. The terrible tragedy in Rwanda had once again demonstrated that children were the most vulnerable victims of the horrors of war.

51. His country, which attached considerable importance to the protection of children, had promulgated comprehensive legislation which protected children and guaranteed their rights in areas such as the family, education, employment, health and welfare. Non-governmental organizations also played a crucial role in protecting rights of children; indeed, they had been instrumental in the establishment by the National Council for Children of the important post of Ombudsman for Children and Youth. Israel also attached great importance to international cooperation in promoting the welfare of children and looked forward to sharing its experience and achievements in education and children's health with all interested parties, including its Arab neighbours. He hoped that the historic changes taking place in the Middle East would bring about a lasting peace so that children would no longer have to lose their lives in their parents' conflicts.

52. Mr. HOPE (United States of America) underscored the importance which his delegation attached to efficient coordination within the United Nations system and said that by improving coordination, efficiency and effectiveness in aid delivery, the United Nations system could help to secure resources from donors on a more predictable basis. It was important to evaluate the institutions of the system according to their comparative advantages and to eliminate programmes and expenditures of marginal value in achieving an integrated approach to problem solving.

53. General Assembly resolution 47/199 represented an important step towards increased cooperation and coordination and his delegation attached particular importance to the development of the country strategy note as the policy

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framework for country programming and for the inclusion of all relevant partners in the planning process. The United Nations system had made progress towards improved complementarity in response to General Assembly resolution 48/162. The objectives of increased coordination and the elimination of redundancy should be examined further in the context of the triennial policy review of operational activities for development.

54. He could not comment on document A/49/326 because there had not been sufficient time to review it thoroughly. His delegation was committed to achieving the goals of the World Summit for Children through domestic programmes in his own country, and through bilateral aid and assistance to United Nations agencies to assist other countries. The Summit had provided guidelines for countries to utilize in reviewing their own situations and developing appropriate programmes of action.

55. In conclusion, he said that issues such as strengthening coordination and increasing collaboration within the United Nations system should be substantively addressed in the discussion of an agenda for development.

56. Mr. SHINODA (Japan) said that his delegation was disappointed that the report of the Secretary-General on the implementation of General Assembly resolution 45/217 on the World Summit for Children (A/49/326) had been issued only the preceding day and hoped that in the future all necessary papers would be distributed in a timely manner so that delegations could properly prepare for deliberations.

57. His delegation disagreed with the statement in paragraph 62 that the application of the 20/20 concept to "both bilateral and multilateral cooperation need not await prolonged technical discussions". While it supported the concept, it believed that since the needs of developing countries varied considerably, the concept might not be universally applicable; moreover, that view also had been expressed in the Executive Board of UNICEF. Paragraph 62 should be revised accordingly.

58. Mr. Hong Jae IM (Republic of Korea) said that, at a time when resources for development were decreasing while needs were soaring, the coordination of operational activities at the field level was essential, since it was in the field that the United Nations was best able to respond to specific development needs and operational activities could be most effectively evaluated. However, the functional decentralization of the specialized agencies, while a source of strength, had also caused significant problems with respect to coordination at the operational, administrative, staffing and financial levels.

59. One way to begin the arduous task of improving coordination was to strengthen the role of the resident coordinator in order to ensure the coordination of all operational activities for development, starting with the funds and programmes of the United Nations system and, as time went on, including the specialized agencies in the process.

60. The enhancement of the resident coordinator's role must proceed in full accordance with General Assembly resolution 47/199, and his delegation cautioned against extending that role to non-traditional areas such as human rights and preventive diplomacy. Accordingly, it did not agree with the Joint Inspection Unit that a political function should be incorporated in the mandate of the resident coordinator.

61. His delegation welcomed the decision of the Secretary-General to entrust the Administrator of the United Nations Development Programme (UNDP) with new responsibilities in order to help him enhance policy coherence within the United Nations system and the overall coordination of operational activities for development. In the light of the broad-based and comprehensive concept of development that had emerged, the United Nations must strengthen its role by adopting a new approach which would effectively respond to the changing needs of developing countries.

62. Mr. ZENA (Ethiopia) said that the adoption of General Assembly resolutions 47/199 and 48/162 had strengthened the coordination of the operational activities of the United Nations system to some extent. His delegation welcomed the shift to the programme approach and to national execution and agreed that national capacity-building should be given the highest priority.

63. His delegation was pleased to acknowledge the important role played by various components of the United Nations system in helping to address the needs and aspirations of his country. He provided an overview of the assistance provided to his country by the United Nations system, noting that the overwhelming development priority was to achieve national food security through increased crop production. His Government commended the United Nations funds and programmes for carrying out their activities with limited resources.

64. The need to strengthen the function of the resident coordinator system should continue to receive priority attention as efforts to enhance coordination within the United Nations system proceeded. However, to assign the resident coordinator responsibilities additional to those related to development was not in the best interest of the developing countries and would not enhance the efficiency and effectiveness of United Nations development activities at the field level.

65. Mr. SINGH (India) inquired whether the Human Development Report had in fact been prepared by UNDP or by an independent group of experts.

66. With regard to paragraph 62 of the Secretary-General's report (A/49/326), he wished to know whether those who had prepared the report were aware that the concept of 20/20 had not been endorsed by the Group of 77 in its discussion of the preparations for the World Summit for Social Development and that it had been stated at the International Conference on Population and Development that the concept needed further discussion. He therefore wished to know how, in the absence of an intergovernmental mandate, it could be asserted that the implementation of the concept "need not await prolonged technical discussions".

67. Mr. ALTESMAN (United Nations Children's Fund) said that paragraph 62 referred to a technical discussion, whereas it was his understanding that the representative of India had in mind a political discussion. If that clarification did not help, further technical discussions could be undertaken.

68. He assured delegations that their expressions of support and insightful advice regarding the implementation of General Assembly resolution 45/217 on the World Summit for Children would prove very useful to UNICEF and its partners. The concerns expressed regarding impact and the need for a concerted effort were particularly pertinent.

The meeting rose at 5.40 p.m.

UNITED NATIONS
General Assembly
FORTY-NINTH SESSION
Official Records

SECOND COMMITTEE
10th meeting
held on
Tuesday, 18 October 1994
at 10 a.m.
New York

SUMMARY RECORD OF THE 10th MEETING

Chairman: Mr. KHAN (Pakistan)

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AGENDA ITEM 87: MACROECONOMIC POLICY QUESTIONS

(a) IMPLEMENTATION OF THE COMMITMENTS AND POLICIES AGREED UPON IN THE DECLARATION ON INTERNATIONAL ECONOMIC COOPERATION, IN PARTICULAR THE REVITALIZATION OF ECONOMIC GROWTH AND DEVELOPMENT OF THE DEVELOPING COUNTRIES

(b) IMPLEMENTATION OF THE INTERNATIONAL DEVELOPMENT STRATEGY FOR THE FOURTH UNITED NATIONS DEVELOPMENT DECADE

This record is subject to correction. Corrections should be sent under the signature of a member of the delegation concerned *within one week of the date of the publication* to the Chief of the Official Records Editing Section, room DC2-794, 2 United Nations Plaza, and incorporated in a copy of the record.

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25 October 1994

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The meeting was called to order at 10.20 a.m.

AGENDA ITEM 87: MACROECONOMIC POLICY QUESTIONS (A/49/204-E/1994/90, A/49/205-E/1994/91; A/49/228-S/1994/827; A/49/256; A/49/307-S/1994/958; A/49/381, S/49/462 and Corr.1)

(a) IMPLEMENTATION OF THE COMMITMENTS AND POLICIES AGREED UPON IN THE DECLARATION ON INTERNATIONAL ECONOMIC COOPERATION, IN PARTICULAR THE REVITALIZATION OF ECONOMIC GROWTH AND DEVELOPMENT OF THE DEVELOPING COUNTRIES (A/49/83; A/49/287-S/1994/894; A/49/328)

(b) IMPLEMENTATION OF THE INTERNATIONAL DEVELOPMENT STRATEGY FOR THE FOURTH UNITED NATIONS DEVELOPMENT DECADE (A/49/328)

1. Mr. OSSA (Director, Macroeconomic and Social Policy Analysis Division, Department for Economic and Social Information and Policy Analysis), introducing the report on the implementation of the Declaration on International Economic Cooperation (A/49/328), expressed the hope that it would be a useful background document for the consideration of an agenda for development. Growth in the developing countries - a major goal of the Declaration and of the Strategy - had accelerated in the 1990s. Since 1993, it had exceeded 5 per cent and was expected to rise to 5 3/4 per cent in 1995. That increase in growth had coincided with a period of economic recession in the developed countries. Since the latter had a key role to play in maintaining a favourable international framework for the sustained development of the developing countries, recent improvement in the short- and medium-term outlook of their economies was encouraging. Despite economic and social set-backs, several economies in transition were experiencing a turnaround and considerable progress had been achieved in integrating those economies into the world economy.

2. The conclusion of the Uruguay Round must be hailed as a major achievement of international cooperation and he urged speedy implementation of the agreement. Trends in commodities prices indicated that export diversification must remain a long-term goal of commodity-dependent countries, particularly in Africa. In that connection, he noted that the understanding of the relationship between macroeconomic policy and trade had improved, as evidenced by the fact that devaluation of the CFA franc, declared in January 1994, appeared to be having the desired effect on exports in some countries. Multilateral financial institutions were also increasing assistance for that purpose.

3. Regional integration was making considerable headway among developing countries and was contributing significantly to growth. In Latin America, regional trading arrangements were becoming more effective, in Asia, intraregional trade was growing rapidly, even in the absence of formal trading arrangement, and Africa was showing renewed interest in regional trading arrangements. After years of outflows, private financial resources were once again flowing to the developing countries in substantial amounts.

4. At the same time, in many areas the goals of the Declaration and the Strategy were far from being attained. In many countries, particularly in Africa, per capita income and living standards either remained unchanged or had grown worse. Official development assistance (ODA) had declined and many countries continued to experience debt-servicing and balance-of-payments difficulties.

5. The outcome of the International Conference on Population and Development represented a major stride in the areas of human resources development and population policies. The Programme of Action emphasized, inter alia, the role of education, particularly of women, in achieving broad-based economic growth and the need for better integration of population policies into international development strategies.

6. International cooperation in environmental protection - a key theme in both the Declaration and the Strategy - had received a tremendous boost from inter alia the United Nations Conference on Environment and Development; the international conventions on climate change and on biological diversity, and, most recently the signing of the United Nations Convention to Combat Desertification; the outcome of the recent Global Conference on the Sustainable Development of Small Island Developing States, and the agreement on the operation and funding of the Global Environment Facility. However, expectations regarding overall funding and enhanced access to clean technologies had not been fulfilled. By some standards, the technological gap between developed and developing countries had even widened, and ecologically sound and sustainable development had been retarded by the decline of ODA. It would be important to seize the new opportunities provided by the world economic recovery to enhance sustainability and ensure more equitable income distribution at the national level, and to enhance development cooperation, including resource transfers, at the international level.

7. Mr. BELHIMEUR (Algeria), speaking on behalf of the Group of 77 and China, said that, four years after the adoption of the Declaration and the Strategy, the developing economies were still grappling with external difficulties - an ever-increasing debt burden, worsening terms of trade, and steadily declining commodities prices. Access to the markets of developed countries had not improved. They were also facing domestic difficulties such as poverty, unemployment and illiteracy. Their marginalization was heightened by an international situation which was less stable and more complex as a result of the trend towards globalization.

8. Under the Declaration and the Strategy, the developed countries had an obligation to create a stable and predictable international economic environment while the developing countries were to modernize their economies through structural reform and to create a domestic environment that was favourable to foreign investment. Instead of coordinating their macroeconomic policies, however, the industrialized countries had sought to resolve their domestic problems in a purely national or restricted multilateral context. The developing countries, on the other hand, had implemented economic reforms, often under difficult conditions and without the support of the international

environment. In a few countries, growth rates had jumped from more than 3 per cent in 1990 to nearly 5 per cent in 1993 but in the vast majority of cases they had not been sufficient to trigger economic take-off. Moreover, even those rates fell far short of the 7 per cent which was considered the minimum needed in order for a real change in the economies of the developing countries. The situation of nearly all African countries and least developed countries was a perfect example of non-development.

9. Greater efforts must be made in order to ensure that the Declaration and the Strategy produced results. More resources should be provided for the development of the South and the problem of external debt must be addressed in all its aspects with a view to the reactivation of growth. The developing countries must also be accorded special and differential treatment in the implementation of the new multilateral trade rules under the Uruguay Round. In that connection, commodities prices must be raised by, inter alia, increasing demand in the developed countries and eliminating speculation and price manipulation on international commodities markets. Similarly, financial and technical assistance was needed in order for developing countries to achieve horizontal and vertical diversification of their exports.

10. In an increasingly interdependent world, the industrialized countries would actually expand their own trade and financial opportunities by supporting the efforts of third world countries. In that connection, an agenda for development would certainly offer fresh impetus to the implementation of the Declaration and the Strategy and help to ensure their continued relevance in a changing world economy.

11. Mr. HENZE (Germany), speaking on behalf of the European Union and Austria, noted that a number of developing countries had contributed greatly to the improved overall economic picture. According to the most recent figures provided by the Department for Economic and Social Information and Policy Analysis, international economic growth, which had stood at 0.2 per cent in 1991, was expected to climb to 2.5 per cent in 1994. The annual growth rate of the developing world was expected to exceed 5 per cent. The Union welcomed the fact that developing countries were pursuing their adjustment efforts and noted that an average growth of around 6 per cent in those countries seemed to be sustainable over a longer period.

12. Despite early signs of recovery and a growing private sector, the economies in transition were by no means fully integrated into the world economy. In many of those countries, particularly in the Commonwealth of Independent States, output was rapidly declining and standards of living were deteriorating. The European Union, a major partner in cooperation with those countries, continued to regard the United Nations as an important forum for addressing the situation of economies in transition.

13. In Western Europe, improved growth prospects and the control of inflation had enabled monetary authorities to reduce interest rates still more. Further consolidation of public finances in all industrialized countries would be necessary in order to reduce the State's absorption of savings and release them

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for private investment. In order to tackle the problem of high unemployment - a major political, economic and social problem - the European Union had reached an agreement to maintain its stability-oriented policy, to seek to make further progress on price- and exchange-rate stability, to pursue efforts for the further consolidation of government budgets and to continue to improve the adaptability of national economies to the changing world economy.

14. The Union attached great importance to cooperation with the developing countries and was committed by the Treaty on European Union itself to taking their goals into account in its general policies. It supported free trade as a means of ensuring lasting global growth, employment and decent living standards. In that connection, the prospects for world economic recovery were greatly enhanced by the successful conclusion of the Uruguay Round. Developing countries had increasingly contributed to the growth of world trade and had even surpassed the industrialized countries in that area. Since many developing countries were among the major exporting nations of the world, their contributions to the Uruguay Round was all the more significant. The European Union was committed to swift implementation of the agreements reached in Marrakesh, and to the establishment of the World Trade Organization.

15. The European Union was a major contributor to development cooperation and would continue to contribute in spite of budgetary constraints. While resource flows to developing countries had continued to grow, many countries, particularly the least developed countries, had not been able to attract new financial flows from private sources and were still largely dependent on official development assistance. His delegation welcomed the renewal of the International Monetary Fund's Enhanced Structural Adjustment Facility, through which the poorest developing countries obtained financial resources on concessional terms.

16. The European Union welcomed the completion of negotiations on the restructuring and replenishment of the Global Environment Facility, which would assist the efforts of developing countries to contribute to global environment goals. However, environmental sustainability was not limited to Global Environment Facility projects. All development assistance efforts should take account of environmental concerns, which must be integrated into the policies of both industrial and developing countries in order to promote sustainable development.

17. The highly successful International Conference on Population and Development had emphasized the central importance of an integrated approach to population issues. The international community had moved from its previous emphasis on demography and population control and had begun to focus on sustainable development, consumption and production patterns, individual responsibility and women's rights. Social concerns and the empowerment of women would be key issues at the forthcoming World Summit for Social Development and the Fourth World Conference on Women.

18. The improvement of the human condition had become the focus of all approaches to development. Democracy and human rights were closely linked to

development, especially human resources development. Sound economic policies must therefore be accompanied by positive approaches that promoted respect and encouraged democracy.

19. Ms. YANG Yanyi (China) said that, in order to implement the Declaration on International Economic Cooperation and the International Development Strategy for the Fourth United Nations Development Decade, efforts should be made to strengthen the international community's commitment to international development cooperation, adopt an action-oriented approach that focused on real issues and make use of the capabilities and special role of the United Nations. The continued growth of the world economy and the economic development of developing countries depended on a favourable external economic environment and international cooperation, without which structural adjustment and reform in any country were unlikely to succeed.

20. An agenda for development should adequately reflect the conclusions of the Uruguay Round and the outcome of recent United Nations conferences, such as the United Nations Conference on Environment and Development and the International Conference on Population and Development, and promote the implementation of programmes in such specific fields as the elimination of poverty, human resources development, population and development, environmental protection, science and technology, and trade.

21. With a view to promoting the implementation of the Declaration and the International Development Strategy, the United Nations system should strengthen its macroeconomic policy guidance and coordination, including the policy coordination roles of the Bretton Woods institutions. Developing countries should have a greater voice in policy decisions that were likely to affect them significantly, since their exclusion from effective participation in the decision-making process for world macroeconomic coordination was inconsistent with their increasing role in the world economy. Only a broad-based, democratic, just and effective mechanism for international economic coordination and cooperation would strengthen international development cooperation and contribute to the health of the world economy as a whole.

22. The shortfall in the resources required for the long-term goals set out in the International Development Strategy was already jeopardizing the implementation of the Strategy. Her delegation hoped that, in his next report on an agenda for development, the Secretary-General would concentrate on the priority areas and programmes of the Strategy and address the question of the shortage of resources for United Nations development activities.

23. Mr. YUSUF (Bangladesh) said that, in the four years since the adoption of the Declaration on International Economic Cooperation and the International Development Strategy for the Fourth United Nations Development Decade, the world had experienced major changes in the political and economic fields. Some of those changes were hampering the timely implementation of the objectives and targets of the Strategy. Moreover, efforts to revitalize economic growth and development of the developing countries had fallen far below expectations.

24. The goal of eradicating poverty could not be achieved without sustained economic growth and fair distribution in a favourable external environment. In many cases, macroeconomic stability was pursued without regard for the needs and interests of poor and vulnerable sectors of the population. All over the world, there was a disturbing trend towards higher levels of unemployment, and the working poor and underemployed constituted the largest part of the world's absolute poor. There was therefore a crucial link between productive employment and poverty reduction.

25. His delegation welcomed the successful conclusion of the Uruguay Round of multilateral negotiations. However, many developing countries and primary-commodity exporters were expected to be adversely affected by trade liberalization, at least in the short term. Unless sufficient compensatory arrangements were made and preferential treatment accorded, those countries would not benefit from trade liberalization.

26. Another problem was the continued deterioration of commodity prices. With their weak economies and undeveloped infrastructure, the developing countries faced the task of diversifying their economies and exports. Except in a few regions, progress towards industrialization remained minimal. Foreign direct investment could play a crucial role in the efforts of many countries to privatize their economies and could stimulate the transfer of technology. However, in spite of adjustment measures and economic reforms, only a few developing countries had so far been successful in attracting a substantial amount of foreign direct investment.

27. The growth of ODA had fallen far short of the goals set in the Declaration on International Economic Cooperation and the International Development Strategy, and the hoped-for peace dividend had failed to materialize. Matters had been further complicated by the debt crisis. While a few countries had benefited from piecemeal relief arrangements, the majority of developing countries were still burdened by debt. Without a comprehensive strategy to deal with that problem, the developing countries' hard-earned foreign exchange, which could otherwise have been used in priority sectors of their economies, would continue to be drained.

28. The mid-term review of the Programme of Action for the Least Developed Countries for the 1990s would be held in 1995. The development efforts of the least developed countries were often hampered by factors beyond their control, such as falling commodity prices, increasing indebtedness, decreasing ODA and natural and man-made disasters. Unless the international community took urgent action to alleviate the special problems of the least developed countries, those countries would remain virtually excluded from global development activities.

29. Mr. BIVERO (Venezuela) said that, while the current world economic situation gave rise to a certain degree of optimism, the developing countries continued to face uncertainties about the necessary conditions for their development, namely, the opening of markets to exports from developing countries, the stabilization of commodity prices, long term solutions to the external debt crisis and the continuity of flows of public and private capital.

30. Developments in the field of cooperation for development, while promising, also involved a number of uncertainties. The most recent multilateral agreements, in particular Agenda 21 and other programmes of action in the social and economic fields, would require a significant transfer of resources, and the final agreements of the Uruguay Round would call for a redistribution of the costs and benefits of supporting open economies. In the short term, adjustment and privatization efforts would require assistance in the fields of investment, technology, employment and foreign-currency generation, in order to ensure the success and continuity of structural reforms.

31. There was as yet no clear picture of the effect that sustainable development would have on specific problems of international economic relations. His delegation, nevertheless, welcomed the readiness of the international community to take up that challenge and was pleased that the United Nations had been called upon to play a catalytic role in that effort. The establishment of the Commission on Sustainable Development and the restructuring and replenishment of the Global Environment Facility were indicative of the type of changes that were needed and that were, indeed, possible.

32. An agenda for development should deal with such important issues as the net transfer of resources for development, transfer of technology and access to markets. In spite of the efforts that had been made to solve the problem of external debt, it continued to be the weak link in the strategy to stimulate development.

33. Although some countries had regained access to the credit market, the external debt problem had not yet been resolved. The ability of most developing countries to implement significant social and productive programmes continued to be limited by their external indebtedness. While the market formulas adopted had ensured the ability of the international banking system, they had not necessarily ensured development and growth, which were a necessary counterpart to any strategy on external debt. Rescheduling had provided relief, but was not a solution, for although it had had an impact on private resource flows, it must be remembered that such flows were largely dependent upon investment opportunities opened up by adjustment and privatization, and on the confidence generated by a country's economic policies. That was a sensitive process which required ongoing cooperation among all parties, especially the international financial institutions.

34. Mrs. de LATERZA (Paraguay), speaking on behalf of Argentina, Brazil, Paraguay and Uruguay, pointed out that the final establishment of the Common Market of the Southern Cone (MERCOSUR) would take place during 1994. Its purpose was to broaden the scope of the national markets of its members through regional integration, a basic condition for accelerating economic growth. MERCOSUR provided *inter alia* for the free movement of goods and services and the elimination of customs duties and non-tariff restrictions. It was based on reciprocal rights and duties of members and called for the coordination of macroeconomic and sectoral policies in order to ensure competitiveness.

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35. At their recent meeting, the Presidents of MERCOSUR member countries had established a common external tariff and had made great progress in dismantling the barriers to trade between their countries. By the end of 1994, products of any member country would be able to circulate throughout the region without any tariff. Paraguay had suggested the establishment of a supra-national governing mechanism with a secretary-general and a community tribunal of justice. Such a mechanism would ensure neutrality, technical objectivity, equity and independence, removed from national interests.

36. The key concept behind MERCOSUR was competitiveness, but its members also had an obligation to strengthen their economic and social cohesion through solidarity. Experience had shown that, in order for regional integration to succeed, it was necessary to diminish the economic disparity among the various members. Regional solidarity was of particular importance to Paraguay, a land-locked country.

37. The MERCOSUR countries attached great importance to the implementation of the International Development Strategy, but noted with concern that efforts by developing countries to stimulate economic growth had not resulted in similar initiatives on the part of the developed countries. The successful completion of the Uruguay Round should result in a favourable climate for the promotion of more equitable trade relations between North and South.

38. Mr. DUGAN (United States of America) said that, although his delegation intended to make its substantive statement on the issue of international economic cooperation in the context of the debate on the agenda for development, he wished to offer some observations arising from statements by other members of the Committee. The relationship between the United Nations system and the World Trade Organization, as mentioned in the report of the Secretary-General (A/49/328), must be reviewed carefully. Any "partnership" with that organization should be approached with caution.

39. The communiqué issued at the summit of the seven major industrialized countries (A/49/228, annex I) raised the important question of the institutional changes that might be needed to meet the challenges of the global economy in the twenty-first century. The competence and comparative advantage of the United Nations must be debated and clearly defined. Member States must ask themselves what the United Nations could do better than any other organization to promote sustainable development.

40. He agreed with the representative of China that the organic linkage between the Declaration on International Economic Cooperation, the International Development Strategy and the agenda for development must be promoted, and suggested that in future, the Declaration and the Strategy should be considered under the item concerning the agenda for development.

41. Mr. NAADJIE (Ghana) said that the Declaration on International Economic Cooperation and the International Development Strategy for the Fourth United Nations Development Decade had been adopted in the belief that growth and

development in the global economy would engender a maximum increase in benefits to all countries.

42. Developing countries were to play an active role in revitalizing both their own economies and the global economy. A growth rate of 7 per cent was perceived as a prerequisite for such revitalization. In the industrialized countries, sustained growth was to be achieved through coordination of their macroeconomic policies. In fact, however, little progress had been made towards achieving those goals. The growth of world output in 1994 would be lower than the average growth rate in the 1980s. While some developing countries were recording growth rates of up to 5 per cent, low-income developing countries, especially in Africa, had experienced little or no change in the past 10 years. Moreover, although, in many developed countries the recession was over, unemployment was rising.

43. According to the latest figures issued by the Organisation for Economic Cooperation and Development, global aid flows had fallen by almost 8 per cent in 1993; among traditional donors the cuts had been exceptionally large. Moreover, World Bank lending to sub-Saharan Africa had been disappointingly low in recent years. Indeed there had been a general lack of concrete proposals for Africa in response to the United Nations New Agenda for the Development of Africa in the 1990s. In that context, his delegation believed that the outcome of the negotiations for a proposed facility to promote commodity diversification in Africa would be a test case of donor commitment to that continent.

44. The conclusion of the Uruguay Round of multilateral trade negotiations would have a favourable impact on some developing countries, but others, mainly in Africa, were in danger of being marginalized. Other disappointing items in the balance sheet were the continued dwindling of ODA flows, the failure of developed countries to meet their commitment to allocate 0.75 per cent of gross national product (GNP) to aid, the scale of foreign debt, especially in Africa, sluggish commodity prices and unfavourable terms of trade. While reaffirming their responsibility for their own economic growth, developing countries were seeking remunerative prices for their commodities and more effective measures for debt reduction and servicing or, in some cases, outright cancellation.

45. Although there was a growing consensus on the need for international cooperation to lay the basis for the peaceful and secure coexistence of all mankind, development was not being given the attention it deserved. A new exercise in interdependence was necessary, with the United Nations playing the leading role as a builder of consensus for the political decisions that would guide global development.

46. Mr. SINON (Malaysia) said that the report, while reflecting overall trends in the global economic situation, had failed to provide an adequate critical analysis of the successes and shortfalls of the International Development Strategy. The plight of the developing countries had remained largely unaddressed. The widespread stagnation - and in some cases declining per capita output and income - experienced in those countries had been due to the

stagnation of the global economy and sluggishness in their domestic economies caused by declining commodity prices and the lack of any impetus to growth.

47. The waning of political support for development assistance in donor countries left a serious question mark over the likely fate of commitments under, for example, Agenda 21 and the International Conference on Population and Development. It was sending the wrong political message to the developing countries.

48. The statement in the report to the effect that trade liberalization in the developing countries had proceeded at a much sharper pace than in the industrialized countries in recent years confirmed his feeling that the proposal by the developed countries to include social and environmental clauses in the agenda of the World Trade Organization was the appropriate message. The developed countries should liberalize their own markets before seeking to impose inhibiting conditions on others.

49. His delegation did not agree with the statement in paragraph 37 that the major bloc-building initiative in Asia had been basically a response to the emergence of the North American Free Trade Association (NAFTA) and the European Union. In the case of the Association of South-East Asian Nations (ASEAN), the aim was to optimize the gross potential of the countries in the region by optimizing their complementarity through intensified intra-regional trade. It was an open-style regionalism and not a trading bloc.

50. Transfer of technology called for a more liberal regime. Foreign direct investment and private enterprises were effective conduits for such transfers, providing a framework for the training of local personnel and for national capacity-building and potential for innovation in terms of products and processes that would benefit not only the enterprises concerned but also the global economy. The technological gap between the developed and developing countries had widened, especially in the case of cutting-edge technologies. Renewed emphasis should be placed on that aspect of the International Development Strategy, particularly on the proposal to establish technological centres of excellence in the developing countries.

51. In general, the United Nations would have to mobilize more resources and take innovative action to ensure the success of the Strategy, playing a central role in fostering international development cooperation. At the same time, Member States would have to forge a new framework of partnership built upon creativity, sincerity and equity.

The meeting rose at 12.15 p.m.

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General Assembly
FORTY-NINTH SESSION
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SECOND COMMITTEE
11th meeting
held on
Tuesday, 18 October 1994
at 3 p.m.
New York

SUMMARY RECORD OF THE 11th MEETING

Chairman: Mr. HAMBURGER (Vice-Chairman) (Netherlands)

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The meeting was called to order at 3.10 p.m.

AGENDA ITEM 87: MACROECONOMIC POLICY QUESTIONS (*continued*) (A/49/204-E/1994/90; A/49/205-E/1994/91; A/49/228-S/1994/827, A/49/256; A/49/307-S/1994/958)

(c) EXTERNAL DEBT CRISIS AND DEVELOPMENT (A/48/287-S/1994/894; A/49/338)

(d) NET TRANSFER OF RESOURCES BETWEEN DEVELOPING AND DEVELOPED COUNTRIES (A/49/309)

1. Mr. OSSA (Macroeconomic and Social Policy Analysis Division) noted the critical link between the external debt problem and the evolution of resource transfers between developing and developed countries. Indeed, the debt crisis had been triggered by the combination of a marked increase in international interest rates and a decline in commercial flows due to weakened commodity prices, which had resulted in a net financial transfer from debtor developing countries to the rest of the world. Even though the situation had changed markedly in recent times, in a number of developing countries net financial outflows persisted and, in many countries, the debt overhang continued to constrain development.

2. In his report on debt (A/49/338), the Secretary-General called for a change in the standard arrangements dealing with debt relief in the context of the Paris Club. Such arrangements had provided temporary relief but had not removed the debt overhang. If the whole stock of such debt were included, the relief measures would narrow considerably the distance between contractual payments and the capacity to pay of the country, taking into account its adjustment efforts.

3. The conclusions of the report on the net transfer of resources (A/49/309) noted the need for differentiated action. In the few developing countries which had received large net flows of private capital, the progress towards a more stable domestic macroeconomic environment must be preserved, while simultaneously ensuring that a larger share of capital inflows was used to increase productive investments. In developing countries which had failed so far to attract private capital - that is to say, the majority - efforts must continue to provide an adequate economic framework. Increased concessional and non-concessional flows played a major role in speeding up structural adjustment. In order to avoid volatility in capital flows to developing countries, non-inflationary growth in developed market economies and reasonably stable interest rates were also necessary. There was still need for an early resolution of the problem of the balance of payments of many developing countries and transition economies along the lines proposed by the Managing Director of IMF, that is to say, through a general allocation and a selective allocation totalling SDR 36 billion. At the meeting of the World Bank and IMF which was held in early October at Madrid, the Chancellor of the Exchequer of the United Kingdom had presented to the Interim Committee a proposal to subsidize the payments of developing countries which had built up unsustainable debt-service obligations to the multilateral financial institutions, using for

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that purpose the funds derived from the return on investments made with the proceeds of carefully considered and phased sales of the gold reserves of IMF. That proposal would be further examined by the Fund.

4. At the Madrid meeting, the Interim Committee had requested the Executive Board to pursue its work on strengthening Fund surveillance in order to assist countries in avoiding excessive disequilibria and reduce the volatility in capital flows. However, because a sudden outflow of private capital from a developing country could occur even in the absence of fundamental disequilibria or dislocation in international capital markets, the Group of 24 had urged IMF to examine the possibility of establishing a new short-term, fast-disbursement facility aimed at assisting countries that were in that situation. The communiqué of the Development Committee had placed emphasis on the effectiveness and distributional aspects of official development assistance but not on its volume. The World Bank and IMF had also been asked to stand ready to address the problems of countries affected by the Uruguay Round which needed assistance, since the implementation of the results of the Round would lead to higher world food prices and the erosion of the preferences granted to several developing countries.

5. Mr. RUNGE (Germany), speaking on behalf of the European Union and Austria, said that the international debt strategy had led to a considerable improvement in debtor-creditor relations and in the management of the debt service. In a number of cases, middle-income developing countries which had taken appropriate adjustment measures had regained access to financial markets while the poorest and heavily indebted countries had continued to receive official development assistance and the rescheduling of their debt. Furthermore, important debt cancellations had been granted, such as that offered in January 1994 to heavily indebted African countries. On the other hand, the situation of many low-income countries, many of which were African, remained very difficult. The debt problem of some low-income countries called for even more favourable terms of debt forgiveness, including a reduction of the stock of debt, in order to support their efforts to achieve sustainable development.

6. The European Union congratulated the Paris Club on its contribution to the progress of the international debt strategy and encouraged it to further improve the terms which it applied to the poorest and heavily indebted countries. Where appropriate, the bilateral official debt of those countries should be reduced so as to enable them to exit from the rescheduling process. Some of the poorest countries were heavily indebted to multilateral institutions and were dependent on flows of concessional financing. The European Union encouraged all international financial institutions to examine proposals to resolve the problem, including the recent proposal to use IMF gold reserves.

7. It must be recognized that debt reduction was in itself not sufficient to restore external viability. A lasting solution would require the sustained implementation of sound economic policies which also took into account the social dimension of adjustment and carefully considered each individual case. The report of the Secretary-General contained a proposal to address the question of the full debt stock at one time when assisting a country on a definitive

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reform track. The Paris Club, for its part, emphasized a country's reform track record as the basis for considering reductions in debt stock and exit-rescheduling. The confidence required to attract domestic and foreign investment depended largely on that track record.

8. Mr. LAMAMRA (Algeria), speaking on behalf of the Group of 77 and China, said that, more than a decade after the onset of the external debt crisis, its structural causes persisted, for the strategy employed had essentially been aimed at maintaining the financial equilibrium of the credit institutions. The total debt stock of third world countries had continued to rise. Estimated by the World Bank to be $732 billion in 1982, the figure was currently about $1,600 billion, around $305 billion of which were owed by African countries unable to service their debts.

9. Generally speaking, the situation had deteriorated for all developing countries. As indicated in the report of the Secretary-General, the number of indebted countries was greater than it had been in the 1980s and, while some countries had been able to extricate themselves from the debt cycle, reactivate their economic growth and regain access to the international financial system, many more remained trapped and had no real prospects of overcoming the crisis. The situation of low-income countries was particularly alarming, but the problem of debt also affected middle-income countries throughout the world, some of which were still suspending their payments.

10. The fact that no major progress had been achieved in a decade confirmed the doubts of the Secretary-General of the United Nations concerning the relevance and effectiveness of the measures adopted thus far and called into question the assertions that the phenomenon was completely under control. The external debt problem called for an integrated approach which took into account the economic, political and social dimensions, debtor countries' obligation to introduce reforms and carry out structural adjustments and the need for countries and creditor financial institutions to buttress those reforms. That approach should emerge from a dialogue among debtor countries, creditor countries, commercial banks and multilateral financial institutions and should cover all types of debt and all categories of debtor countries. Consideration must also be given to granting debtor countries various facilities such as reductions in debt stock, extension of repayment deadlines and even debt forgiveness, purely and simply, for the poorest countries. In that connection, the decisions taken by some developed countries with regard to certain categories of debt owed by the low-income African countries were encouraging. None the less, more than ever, the international financial institutions were expected to propose initiatives concerning multilateral debt, which continued to be the only category of developing country debt that had not been restructured.

11. Structural adjustment programmes and debt rescheduling processes could not yield lasting results if they were not accompanied by a fundamental change in the mechanisms governing international economic relations. The elimination of debt overhang through restructuring was but one element of a whole package which should enable countries to correct imbalances in their external payments and to enjoy, once again, a satisfactory growth rate. In the world economic context,

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the interests of the developing countries must be taken into account more fully through the establishment of an international trade system which generated additional financial resources, and, in particular, by guaranteeing better commodity prices, for commodities, increased official development assistance, a greater flow of non-debt-producing direct investment and greater access to the achievements of science and technology.

12. The recent reversal in the trend in the net transfer of financial resources to the developing countries was undoubtedly cause for satisfaction, but it was a limited phenomenon since the vast majority of developing countries remained on the fringes of that process. It should also be noted that those positive transfers were unstable, as they depended on private capital seeking to earn short-term income and, therefore, on fluctuations in interest rates. They also involved inflationary risks and could create trade imbalances by stimulating a rapid rise in imports in relation to exports. Moreover, the net increase in private financial resources received by some developing countries should not conceal the downward trend in official financing, in particular official development assistance.

13. The Group of 77 and China believed that the question of external debt and development financing should remain on the agenda of the Organization until a permanent solution could be found; they would continue to support the proposal of the Secretary-General of the United Nations to convene an international conference on the financing of development.

14. Ms. YANG Yanyi (China) said that the fact that the net transfer of resources to developing countries had been positive for the third consecutive year was not a ground for undue optimism. A closer look at the situation revealed the following: First, the share of the developing countries in global external financing remained small, averaging less than 15 per cent across various categories. At the same time, the terms of trade for developing countries were deteriorating, resulting in a loss of some $75 billion in 1993, which more than offset the resources transferred. Second, the regional distribution of financial transfers was uneven, for not all developing countries had benefited from them. Third, the sustainability of such transfers was uncertain, for the low rate of investment returns and low interest rates in developed countries and the comparatively strong growth and high interest rates in developing countries might be determinants of the increased financial flows to those countries. Moreover, a considerable portion of the transfers was represented by portfolio investment and short-term capital, which could be speculative, Part of foreign direct investment in developing countries had been used to purchase existing enterprises under privatization schemes, which did not create new productive capacity. Fourth, official development assistance, a major source of external financing for a majority of the low-income developing countries, had declined in real terms and in relation to the gross national product of the developed countries. In that connection, the fact that the transfers of resources from the International Monetary Fund (IMF) and the World Bank remained negative and the outflows of resources from developing countries gave cause for concern.

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15. Under such circumstances, it was in the interest of the developing countries to adopt appropriate policies to attract external financing and use it effectively, improving its structure in the process by channelling funds into long-term investment that would expand production and exports. For its part, the international community, particularly the developed countries, should provide assistance to the developing countries and create favourable conditions for promoting resource flows to them by ensuring the sustained non-inflationary growth of their own economies and checking the continued rise of interest rates. The developed countries should also take specific measures to improve the terms of trade of developing countries, remove trade restrictions, reverse the downward trend in official development assistance and enhance the effectiveness of aid by removing political conditionalities. The international financial institutions should increase their concessional aid to developing countries in order to meet their requirements for the financing of development.

16. Mrs. AMERASEKARE (Sri Lanka) said that the overall situation with regard to the debt crisis was currently somewhat less severe than it had been several years earlier, as a result of such initiatives as the Brady plan and the renegotiation of debt with the Paris Club; however, those initiatives had addressed the problems of only a few countries, especially those with debt problems that posed a threat to the international financial system. The debt-relief measures had not benefited a large number of countries overburdened with debt repayment and debt servicing. The debt-restructuring measures had dealt primarily with commercial debt and debt-servicing obligations to official bilateral creditors. No formal debt-restructuring existed for debt owed to multilateral institutions.

17. The definition according to which a country was considered to have a debt crisis when it failed to pay interest or repay the principal on its foreign debt on time underestimated the actual magnitude and implications of the problem, since it did not take account of the large number of countries that continued to meet their debt-repayment obligations - at the cost of national resources that could be used to promote development - in order to maintain their credibility and continue to obtain loans from IMF and the World Bank. Those countries depended to a large extent on those institutions to finance their essential imports.

18. Sri Lanka had been implementing a structural adjustment programme at great cost in order to obtain IMF support with respect to its balance of payments. However, the combined effects of the external debt burden, falling commodity prices and rising import prices continued to prolong a resource scarcity that in the past few years had resulted in budget cuts in sectors that provided basic needs. Sri Lanka's debt-repayment obligations had continued to increase. At the end of 1993, the total medium- and long-term public and publicly guaranteed debt had amounted to US$ 6.5 billion, or 64 per cent of the country's gross domestic product (GDP). At the same time, Sri Lanka had been striving to achieve self-reliant growth. A policy framework had been introduced to mobilize domestic resources and foreign private investments. While there were plans to transform the private sector into the engine of economic growth, such efforts

could succeed only if international support was provided in the form of debt relief, free access to markets and increased ODA.

19. Countries that depended heavily on primary commodities and which had only a small domestic market and a limited resource base needed assistance in the form of debt relief in order to be able to continue their development efforts; otherwise, they would lose what they had achieved so far. In any future strategy, the definition of the "debt crisis" should be broadened to include countries like Sri Lanka, which met their debt obligations with great difficulty in spite of their special disadvantages owing to their size, the structural problems of their economies and their limited resource base. In formulating a debt strategy, consideration should be given to the importance of creating mechanisms to stabilize primary commodity prices, such as the rubber stabilization fund. Such mechanisms could be financed from taxes on the profits of the corporations that controlled the markets for those commodities. As a complementary measure to the debt strategy, the developed countries should review, as a matter of urgency, the Generalized System of Preferences, since the tariff reductions under the Uruguay Round had adversely affected developing countries' exports.

20. Mr. ANSARI (India) said that, given the insufficiency of the measures that had been adopted so far - measures that had been too specific and often designed to serve the interests of creditors, or which had been contingent on rigorous structural adjustment programmes - it was necessary to find an early, comprehensive and durable solution to the debt problem. An international debt strategy should incorporate measures to reduce debt and reschedule debt-servicing and increase financial flows to low-income and severely indebted countries. Such measures should apply not only to countries that had fallen behind in their payment of debt but also to countries that had continued to meet their obligations at great cost.

21. In order to avoid the debt trap, India had adopted, a few years earlier, various measures to alter the structure of its debt through medium- and long-term financing instead of short-term investments. It had set a limit on external commercial borrowing, and borrowing had also been diverted to basic industries that provided opportunities to save or earn foreign exchange. The economic stabilization and structural reform, which sought to promote growth through investment and equity rather than through borrowing, included a new foreign investment policy and the ratification on the Multilateral Investment Guarantee Agency.

22. The net transfer of resources to the developing countries had been concentrated in only a few countries and for the most part involved flows of private capital that were very volatile because of exchange rate fluctuations and interest rate changes in the countries in which such flows originated. Moreover, the overall positive figure would be substantially reduced if account was taken of the significant losses to the developing countries caused by the deterioration in the terms of trade. In the light of those realities, ways must be found to reduce systemic risk in the markets for international private capital, especially in relation to portfolio flows, while simultaneously

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strengthening private direct investment flows to the developing countries. Effective macroeconomic policy coordination was necessary to ensure that the volatility of such flows was reduced. Coordination among the developed countries was needed for the successful and orderly functioning of a multipolar, increasingly open and interdependent world economy and should be carried out in a multilateral forum that paid due attention to the implications of those policies on the rest of the world.

23. Measures would also be necessary to increase the flow of ODA as well as multilateral funding through the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), since most developing countries continued to need concessional assistance to finance their development and complement private capital flows. Assistance should be given to the developing countries that had implemented, over the past decade, arduous programmes of stabilization and structural economic reform in order to enable them to bring those programmes to a successful conclusion and thereby promote product diversification so that they did not continue to be faced with a long-term decline in the terms of trade for their exports. Assistance to sub-Saharan Africa and South Asia was particularly urgent because abject poverty was most prevalent in those regions. International cooperation was needed to preserve and protect the planet's environment, and it should be strengthened with suitable financial and technical support over the medium term.

24. Mr. KUDRYAVTSEV (Russian Federation) said that there already was an efficient mechanism for solving the external debt problem, in which multilateral groups such as the Paris Club, the London Club, the International Monetary Fund and the World Bank played a key role. The United Nations could play an important role in that respect by preparing, for example, policy recommendations and gathering, analysing and disseminating the most successful national and international experiences in that area.

25. The Russian Federation agreed with the conclusion of the report of the Secretary-General (A/49/338) that the current debt situation had improved in all respects over that of the 1980s. Considerable progress had been made in the external debt situation of the Russian Federation. Note should be taken in particular of the agreement reached during the current year in Paris for restructuring the external debt of the former Soviet Union as well as the restructuring agreement signed at Madrid in early October with the London Club of creditor banks.

26. Having assumed all the debts of the former Soviet Union, the Russian Federation's basic position on the problem of the external debt was that debtors must honour their payments commitments. The Russian Federation was prepared to honour its debt in its entirety once it had been restructured taking into account the nature and origin of such debt and other factors. It must also be borne in mind that the Russian Federation was not only a major debtor but also one of the largest lenders to other countries. Therefore, an agreement should be reached on both counts, namely, restructuring the Russian Federation's debt vis-à-vis other countries while restructuring the debts that other countries owed to the Russian Federation. The Russian Federation stood ready to negotiate

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such restructuring with the debtors and lenders and to restructure its debt in any other way, either through bilateral negotiations or within the framework of the Paris Club which it would like to join as a member or at least as an observer.

27. Various interesting ideas had been considered during the debate, including the call made by the Group of Seven at Naples, in July of the current year, for an improvement in the terms offered by the Paris Club to low-income countries, and the United Kingdom's proposal to reduce the debt burden of least developed countries. The Russian Federation felt that solutions that were acceptable to all the parties concerned should be found through the efforts of debtors, lenders and the Bretton Woods institutions. It was also necessary to take into account the needs of debtor countries, including their need for funding in order to carry out structural adjustment programmes and strengthen economic reforms, as well as their capacity to meet their external debt-servicing requirements. The possibility of extending debt restructuring periods beyond the current one or two years should also be considered. Greater use should be made of the prospects offered by non-traditional debt repayment schemes such as debt-equity or debt-for-nature swaps in debtor countries. Finally, careful consideration should be given to the idea of establishing an agreed debt repayment mechanism for countries with economies in transition and developing countries.

28. Mr. BANGALI (Sierra Leone) endorsed the remarks made by the representative of Algeria on behalf of the Group of 77 adding that the problem of external debt had been further compounded by the unfavourable global economic environment, characterized by adverse terms of trade and business climate for developing countries and by a decline in the prices of commodities.

29. The present Government of Sierra Leone had inherited an enormous economic burden; the economy had started on its downward trend in the early 1980s with the deterioration in growth rates, substantial budget deficits, escalation of the rate of inflation and a marked drop in foreign exchange reserves. Given those circumstances, and despite the war that was being waged against the rebels in the southern and eastern border areas of the country, the present Government had unhesitatingly endorsed the Rights to Accumulation Programme implemented by the International Monetary Fund at the start of the previous regime which was aimed at revitalizing Sierra Leone's economy by stabilizing it, improving resource allocation and strengthening the external payments position and at reinforcing fiscal discipline and controlling inflation through the twin policies of transparency and good governance. Although the economic reform and political transition programmes being implemented by the present Government were restoring confidence to the country, Sierra Leone needed the continued support of the international community in order to recover from the previous decade of debt crisis.

30. Favourable developments worth noting were the significant improvement in perceptions in the international financial market of the creditworthiness of the major heavily indebted countries and the adoption of a new and more concessional set of terms by the Paris Club. However, as stated in the Secretary-General's report on that item (A/49/338): "For most countries, the current strategy

provides relief in a drawn-out series of phased accords and does not provide a one-off arrangement that would reduce debt by the critical mass needed to restore debt-servicing capacity, strengthen the confidence of domestic and international investors and induce a positive new inflow of resources".

31. Sierra Leone shared the view that a permanent and comprehensive solution to the external indebtedness of developing countries must be found without further delay. In that connection, he wished to commend the Chairman of the Movement of Non-Aligned Countries for convening in Jakarta, Indonesia, in August of the current year, a ministerial meeting of non-aligned countries on debt and development with the theme: "sharing of experiences". Since he believed that the meeting represented a significant step forward in the search for a solution to the debt problem, he urged the United Nations and the international community to adopt the principles contained in the report of the meeting.

32. Concerning the important question of international trade, Sierra Leone advocated the elimination of all protectionist policies and the opening of markets for exports from developing countries in order to enable such countries to obtain funds for development. In conclusion, he appealed to the international community to continue to provide assistance in rebuilding his country in order to achieve sustainable economic growth and thanked the Governments of China, Germany and Japan for the significant assistance they had rendered to his country.

33. Mr. ELISSEEV (Ukraine) said that with the emergence of countries with economies in transition, the external debt problem now affected not only low-income countries but also middle-income countries such as those of Eastern Europe. That fact was acknowledged in the Secretary-General's report (A/49/338) which moreover advocated the strengthening of the international debt strategy in various areas. In that connection, the extremely encouraging results of the high-level meeting held by the Group of Seven in Naples in July 1994 were worthy of note.

34. Ukraine believed that the debt problem called for a universal and coherent solution based on the principle of continuity; that was how the issue was increasingly being viewed in international financial circles. In that regard, he called for the harmonization of measures adopted at the national level with the activities being implemented by international institutions. He also urged the world community to intensify its efforts to enhance the use of multilateral debt-control mechanisms in preparing an overall plan to help resolve the problems of indebtedness.

35. With regard to the geographical spread of the debt problem, it was quite possible that new difficulties might arise in the future, above all in countries which had recently attained independence. In his country's opinion, if the debt burden was substantially lightened, it would also help countries in transition to be integrated into the world economy. It was essential to examine the question of how best the debt should be serviced in countries which had suffered severe losses owing to the direct application of sanctions against States which

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violated international law, in accordance with Chapter VII of the United Nations Charter.

36. Ukraine agreed with the conclusion contained in the Secretary-General's report that one of the basic principles of the international debt strategy was for the countries concerned to undertake a process of structural adjustment in the interests of attaining stable economic growth rates enabling them to be integrated into the international economy. That was particularly important in the case of Ukraine, which was going through a period of crisis, with unprecedented inflation and a very high external debt. In that connection an external debt department had recently been set up in the Ministry of Finance with the task of coordinating the activities of public bodies in Ukraine with respect to debt-servicing. At the same time the Government was attempting to restructure the debt by deferring repayments until the country's economic situation had settled down. To that end negotiations had been initiated with the international financial institutions, particularly with the International Monetary Fund, in order to obtain credits for external debt servicing. It was to be hoped that positive results would be forthcoming in that regard from the forthcoming conference on partnership for economic transformation in Ukraine, to be held in Canada at the end of October. Ukraine also proposed that part of its external debt should be cancelled in order to release funds for the improvement of the environment and the modernization of production along ecologically acceptable lines, at a time when the Government was directing a substantial proportion of the budget to relieving the effects of the accident at Chernobyl.

37. Lastly, he said that his Government was interested in finding some way of resolving the problem of the assets and liabilities of the former Soviet Union which would be acceptable both to his country and to the Russian Federation.

38. Mr. AGONA (Uganda) fully associated himself with the statement on agenda item 87 made by the representative of Algeria on behalf of the Group of 77 and said that poor countries like Uganda found themselves in a debt trap which had serious implications for the mobilization of resources for development, and therefore for economic growth. For that reason Uganda supported the initiative on debt and development of the Movement of Non-Aligned Countries and the proposal by the United Kingdom of Great Britain and Northern Ireland regarding the multilateral debts of some of the poorest countries. Those proposals could be a valuable contribution to the Secretary-General's efforts in relation to the issue of external indebtedness, since they would respond to three concerns expressed in his report, namely whether additional tools were needed to deal with the problem, whether the task of mapping out a viable and sustainable strategy had been completed and how debts to multilateral institutions should be dealt with and what future approaches to debts should be. It was noteworthy that the initiatives, which had been examined in other forums, and the Secretary-General's report all agreed on once-for-all action that would reduce all debts substantially. The Committee should reflect the two innovations in the appropriate resolution on debt and development. It would also help if any subsequent reports by the Secretary-General took the innovations into account, so that they would get the political attention of the General Assembly, of the institutions concerned and of the international community.

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39. His delegation had carefully examined document A/49/309, which indicated that in the early 1990s there had been a turnaround in net resource flows to capital-importing developing countries. It had not, however, been uniform for all regions or for all countries within a given region and those differences had not been reflected in the report. It was becoming increasingly difficult to talk of developing countries as a uniform group, since differences among them were becoming more pronounced. The picture painted in the report was too optimistic and not very accurate. The movement of resources had in fact been from the South to the North. The positive picture might have been due to short-term and largely speculative transfers and to the proliferation of humanitarian assistance and operations which did not involve an actual increase in the flow of net resources available for development activities promoting sustainable growth and development, especially in the least developed countries. The report should have singled out areas which had contributed to the highest outflow of resources from the South and recommended how the international community might intervene to reverse such flows. If account were taken of outflows resulting from unsustainable level of external debt-servicing payments, of losses resulting from adverse terms of trade and monopolistic practices which inordinately benefited the North at the expense of commodity producers in the South, of unquantifiable losses due to the brain drain, of losses as a result of the transfer pricing practice of transnational companies and declining official development assistance, as well as of other losses related to transactions which, according to some balance sheets, had benefited developing countries only nominally, different conclusions would have been reached. Future studies should try to highlight some of those factors.

40. Mr. AMMARIN (Jordan) said that the ramifications of the external debt crisis, which constituted a major obstacle to development and growth in the developing world, varied from one country to another. In Jordan the harsh burden of debt had been reflected in the diversion of resources, which continued to create a sluggish environment for the enhancement of international cooperation for development.

41. The accelerated efforts taking place in the peace process in the Middle East reflected the will of the peoples to strive for prosperity by guaranteeing the peace and security that they had been denied for many decades. The recent initialling of the draft peace treaty between Jordan and Israel reflected, among other things, the sincere resolve of both countries to attain sustainable prosperity in the future. Peace and security were interrelated and could not be sustained under conditions of economic stagnation. The Government and the people of Jordan appreciated the efforts of the Governments of the United States of America and the United Kingdom to alleviate somewhat, in relation to bilateral debt, the heavy burden that Jordan had borne for many years. Peace between Jordan and Israel was essential for regional peace, which the international community was keen to see strengthened, and external debt relief was crucial for peacemaking.

42. Jordan was committed to the position of the Group of 77, since it believed that the debt crisis could not be addressed in isolation from international efforts to promote global partnership and peace. He urged the international

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community to work together during the current session to achieve a consensus on the draft resolution on the external debt crisis.

43. Ms. ULLOA (Ecuador) said that although it was encouraging to learn from document A/49/338 that some developing countries had partially resolved their debt problems the issue could not be dodged or forgotten, since it continued to be of concern to creditors and debtors alike. In Latin America the debt-servicing ratio, which had reached 30 per cent, was one of the highest compared with other regions and was double the average for the developing countries as a whole.

44. The approach taken to the debt was to consider each case separately, taking into account the situation of debtor countries and creditor banks. More attention should be given to debts contracted by developing countries with multilateral financial institutions, since distinct parameters should be observed in negotiating their restructuring.

45. It should also be recalled that the developing countries, particularly in Africa and Latin America, had made great efforts to implement structural adjustment programmes which later had not received sufficient financial support from the International Monetary Fund or the World Bank. International cooperation should take the form of appropriate, open and democratic funding in pursuit of sustainable and fair development, taking account of the unique situation of each country. Structural adjustment programmes should favour basic social considerations so that peoples could achieve sustainable growth and development which would guarantee domestic and international stability and peace.

46. Her delegation welcomed the measures described in paragraph 13 of General Assembly resolution 48/182 of 21 December 1993. They should be implemented immediately, since developing countries undoubtedly contributed to the security of rich countries in various ways. One aspect of that contribution concerned the environment: tropical forests, the majority of which were found in developing countries, helped to reduce global warming and to conserve biological diversity.

47. Ecuador's external indebtedness amounted to 91.8 per cent of its gross domestic product and debt servicing in 1993 had equalled 29.7 per cent of exports of goods and services. As a result, debt from accrued unpaid interest had increased and it had become more difficult to obtain new loans or loans on favourable terms. Furthermore, Ecuador had insufficient solvency to obtain credits, and thus had to take out expensive loss insurance on its exports; and limited domestic savings had led to low public investment levels.

48. That and other factors had had a detrimental economic and social effect on a broad sector of Ecuadorian society despite the State's efforts to satisfy the population's basic needs and at the same time to fulfil its undertakings to international banking and multilateral financial institutions. Consequently Ecuador strongly advocated a fairer, more equitable and durable solution for developing countries still facing that crisis.

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49. Mr. KANG'E (Kenya) said that the debt burden of the majority of developing countries had hampered development efforts and the provision of essential social services such as education, health, sanitation and drinking water, which were severely affected by the imperative need to set aside a substantial portion of national budgets for servicing of the external debt. The situation was further worsened by the negative effects of structural adjustment programmes, the decline of official development assistance and the fall in commodity prices.

50. As the Secretary-General had rightly pointed out in his report on the developing country debt situation (A/49/338), too many countries still faced acute debt-servicing problems. The situation was not encouraging, since the international community's successive debt-relief initiatives, particularly in connection with official and private debts, had not achieved the desired results. What was required were innovative measures which would effectively reduce the stock of debt and debt-service payment to levels compatible with the long-term development needs of affected countries. Those measures should include a political decision to cancel all remaining debt of severely indebted developing countries or reduce all types of debt, especially at a time when official development assistance was declining. Measures adopted thus far had failed to reduce multilateral debt payment or to halt the negative net transfer from the Bretton Woods institutions, which were occupying an increasingly prominent place, in particular in relation to sub-Saharan debt. His delegation supported the Ministerial Meeting of Non-Aligned Countries on Debt and Development, which had called upon the international community, particularly donor countries and international financial institutions, to write off outstanding debts once and for all in future negotiations, as a practical measure to alleviate the burden of low-income countries.

51. It was essential to increase financial flows to developing countries to achieve economic recovery and growth through diversification and support of structural adjustment efforts. Unfortunately the Secretary-General's report on net transfer of resources between developing and developed countries (A/49/309) indicated that in the previous three years the increases had benefited only a small number of countries in Asia and Latin America. In that regard, Kenya was of the view that an increase of development assistance and multilateral resources remained essential for the majority of developing countries, which had not yet been able to tap the international private capital markets.

52. Mr. TOURÉ (Mali) said that while the debt crisis did not as yet pose a threat to the international financial system, there were grounds for grave concern at the persistence of excessive indebtedness of developing countries and the problems arising from debt servicing. The laudable efforts of the international community thus far had produced results which had benefited only a minority of developing countries and there were no plans for an official programme to restructure multilateral debt. Successive rescheduling agreements had not relieved the debt burden of the low- and middle-income countries. Although the situation globally was better, in Africa the improvement in the debt-servicing ratio had been neutralized by growing arrears in principal and interest payments. It was imperative to implement innovative mechanisms which were more appropriate to the restructuring of multilateral debt within the

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framework of a global solution. He hoped that the new approach put forward by the Paris Club at the Group of 7 meeting in Naples in July 1994 concerning improvements to the enhanced Toronto terms would meet expectations.

53. In order to reactivate the economy and achieve sustainable growth it was necessary to stimulate private investment. However, the poorest developing countries had to date had no access to international private capital markets and faced a decline in official development assistance, since the developed countries had not fulfilled their commitment to grant developing countries 0.7 per cent of their gross national product in official aid. While net financial contributions to developing countries had risen to an unprecedented figure, the great majority of developing countries had been unable to take advantage of the transfer of resources because of the deterioration in the terms of trade, which in 1993 had resulted in losses of around $75 billion. The negative trend in the transfer of funds from the Bretton Woods institutions to the developing countries made the situation even more complicated.

54. His delegation urged the international community to mobilize the necessary financial resources for the development of those countries which had been unable to benefit from the recent increase in the flow of private capital, which comprised the majority of developing countries. Official multilateral financing was necessary not only to promote investment but also to create an atmosphere of confidence which would attract private capital.

The meeting rose at 5.20 p.m.

UNITED NATIONS
General Assembly
FORTY-NINTH SESSION
Official Records

SECOND COMMITTEE
12th meeting
held on
Wednesday, 19 October 1994
at 10 a.m.
New York

SUMMARY RECORD OF THE 12th MEETING

Chairman: Mr. KHAN (Pakistan)

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The meeting was called to order at 10.20 a.m.

AGENDA ITEM 87: MACROECONOMIC POLICY QUESTIONS (continued) (A/49/204-E/1994/90, A/49/205-E/1994/91, A/49/228-S/1994/827, A/49/256, A/49/307-S/1994/958, A/49/381, A/49/462 and Corr.1)

(c) EXTERNAL DEBT CRISIS AND DEVELOPMENT (continued) (A/49/287-S/1994/894, A/49/338)

(d) NET TRANSFER OF RESOURCES BETWEEN DEVELOPING AND DEVELOPED COUNTRIES (continued) (A/49/309 and Corr.1)

1. Mr. PALLAIS ARANA (Nicaragua), speaking on behalf of Costa Rica, El Salvador, Guatemala, Honduras, Panama and Nicaragua, said that although the report of the Secretary-General on the net transfer of resources between developing and developed countries (A/49/309) described the net positive transfer of financial resources to the developing countries as a "return to normality", it was unclear whether current trends towards an improvement in the world economy were attributable to the pursuit of particular policies or whether they provided an appropriate solution to the problems of most developing countries.

2. After a decade of violent conflict, the Governments of the countries of Central America had made considerable sacrifices to stabilize their economies, to compete effectively in international markets and to achieve full and sustainable regional integration. From that integrationist point of view, they were convinced that the international agenda of priorities could not and should not consist of purely sectoral approaches. Action in the subregion to achieve sustainable development depended for its success on a stable world economy, non-inflationary growth, access to markets, fair commodity prices, a lasting solution to the debt problem, increased official development assistance (ODA) and an effective dialogue with the United Nations system, including the Bretton Woods institutions.

3. The traditional division of interests among powerful economic operators could not be reconciled with the new vision of a more just and equitable world economy. Serious imbalances and instability threatened the international community unless a new order was established under which the interests, sovereignty and just aspirations of the developing countries were taken into account. To that end, North-South dialogue would have to be pursued with a determination that reflected the urgency of the challenges.

4. According to the report, the net positive transfer of financial resources to the developing countries was due, in particular, to short-term private capital. Many developing countries lacked the economic characteristics that had enabled other countries to attract such capital; moreover, the ability of the latter countries to maintain such capital over time would depend on the world economic situation.

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5. The current relative global monetary stability was far from being the result of coordinated policies and effective multilateral supervision and responsibility, as envisaged in the Articles of Agreement of the International Monetary Fund. The policies pursued by the industrialized countries were certainly not formulated primarily with a view to benefiting the world at large. Electoral considerations weighed far more heavily. Moreover, many of the current favourable indicators could not be attributed to long-term initiatives that would guarantee a sustainable trend. Innovative machinery was therefore needed to ensure greater world economic stability and to make such stability predictable.

6. Given the major effort the Governments of the region had made to restructure their economies, open up their markets and maintain fiscal discipline, while at the same time consolidating democracy, the current net transfer of financial resources to Latin America and the priority being given to the neediest cases in the region was fitting. However, as the favourable trend was due in large measure to one-off actions such as the privatization of State enterprises and the repatriation of capital to take advantage of favourable interest rates, it was clear that international support would be necessary to ensure sustainable growth in the future.

7. The countries of Central America appealed to the international community, particularly cooperating countries and international financial institutions, to establish a set of principles for future debt negotiation that offered a definitive solution to the problem, particularly for the least developed countries. They also advocated the adoption of such innovative measures as debt for equity swaps, debt for social development and debt for the environment.

8. It was to be hoped that the agreements reached at the Uruguay Round would soon be ratified by major world trading partners and that the World Trade Organization, once successfully launched, would keep pace in its activities with the expansion of world trade.

9. Turning to the field of South-South cooperation, he said that as regional integration plans made it necessary to reduce the disparities between the countries concerned, the full potential of South-South cooperation would become evident. The ODA resources made available under that heading should be proportionate to the acquired capacities of the countries that had made the most progress in terms of national capacities.

10. The countries of Central America hoped to have equitable access to the new continental market created by the North American Free Trade Agreement (NAFTA). They were modernizing their economies to compete internationally and to offer opportunities for medium- and long-term foreign investment. It was a matter of concern, however, that while they endured the consequences of structural adjustment, opened up their economies and sought to combine economic stability with democracy, they were being forced to give precedence to the settlement of earlier financial commitments over growth and integrated human development.

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11. The heads of State of Central America had recently signed, in Managua, an alliance for sustainable development that outlined an integrated development strategy for the region and it covered four basic areas: democracy, social development, sustainable economic development and the appropriate use of natural resources. He called on the international community to support the alliance as a contribution to world peace.

12. Mr. BLANEY (United States of America) said that by providing external financial support for countries undertaking sound macroeconomic adjustments and structural reforms, the international debt strategy had played a very significant role in the improved outlook for debtor countries overall. However, as some of the poorest countries continued to face protracted debt problems, the Paris Club would intensify its efforts to assist those countries, where appropriate reducing the stock of debt and increasing concessionality. It was also important to mobilize the existing resources of the international financial institutions more effectively to respond to the special needs of countries emerging from economic and political disruption, and also of the poorest, most indebted countries. Of course, debt forgiveness and rescheduling could be most helpful and effective when accompanied by sound economic practices and policy reforms in debtor countries. The poorest developing countries that had introduced such reforms were receiving a net inflow of capital from the international financial institutions.

13. His country stressed that while constructive recommendations by the General Assembly could help to advance understanding and cooperation, the Paris Club, the International Monetary Fund and the World Bank remained the appropriate forums for policy decisions on external debt, since they possessed the expertise and experience needed to develop and recommend the reform programmes required for heavily indebted countries to improve their economic circumstances. Admittedly, however, the international financial institutions could benefit from some measure of reform.

14. Since 1989 the United States had forgiven $2.7 billion in bilateral concessional debt for some 24 of the poorest countries. It had also provided generous new assistance, primarily on a grant basis in order to prevent the debt burden of the poorest developing countries from growing. Under the enhanced Toronto Terms adopted by the Paris Club in 1991, 50 per cent debt service reduction had been provided for many insolvent countries and the Paris Club was currently considering a reduction in the stock of debt for countries that had performed well.

15. In the case of commercial debt, progress under the international debt strategy had also been quite substantial. The financial support provided by the international financial institutions for the new reduced debt instruments had been a key facilitating factor.

16. Mr. JOMAA (Tunisia) expressed full support for the statement made by the representative of Algeria on behalf of the Group of 77. There was an urgent need to extend and intensify action by public and private creditors and the international financial institutions to provide a lasting solution to the

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foreign debt problem of developing countries by devising a global strategy to reduce all types of debt for all categories of indebted countries, including middle-income countries such as Tunisia.

17. It was regrettable that while Asia and Latin America were making progress in debt reduction and economic growth, the debt burden in Africa was still a major obstacle to development because of its adverse impact on economic and social reform and foreign investment. Debt-servicing accounted for the bulk of Africa's debt burden. The continent's debt currently exceeded its gross national product and the situation was likely to deteriorate in the years ahead.

18. Recovery and economic growth in Africa called for the total cancellation of official debt or a substantial reduction in its volume, the lowering of interests rates on remaining debt and the promotion of debt conversion to finance ecological and development programmes. As President Ben Ali of Tunisia had repeatedly pointed out to the Group of Seven, it was only through such radical action that the structural reforms introduced by most States in Africa would have a chance of succeeding and that the risk of social upheaval and instability would be averted.

19. Mr. TALPUR (Pakistan) noted that many highly indebted countries had been unable to obtain relief because debt relief approaches had not applied to all types of debt; moreover, there was no single forum to deal with the total foreign debt portfolio. The absence of a formal mechanism to restructure the multilateral debt of developing countries had forced them to borrow in order to relieve balance-of-payments pressure.

20. The fact that debt no longer posed a threat to the international banking system should not obscure the problems of the most vulnerable economies which had not benefited from increased financial flows. Highly indebted countries which had benefited from the Baker plan and the Brady plan had gained greater access to private finance, particularly in the form of increased portfolio investment flows (debt instruments and equities). However, while the net flow of resources to Asia, Latin America and the economies in transition had increased, the report of the Secretary-General on net transfer of resources between developing and developed countries (A/49/309) showed a reverse flow from the countries of Africa, where official development assistance (ODA) remained vital.

21. Developing countries were clearly the engine of modern growth. The value added for every dollar invested in the developing world was far greater than it was in developed countries. Growth in the developing world opened up new markets for the industrialized economies, as illustrated by the increase in United States exports to China, the Middle East and Latin America.

22. The international community must take the same clear, well-defined action in respect of bilateral official and multilateral debt as it had in dealing with commercial external debt. In particular, urgent measures were required in Africa, whose debt figure was equivalent to 73 per cent of its total output. In

sub-Saharan Africa, the ratio of debt to gross national product and the debt-to-export ratio were almost three times the average of all developing countries.

23. He referred to the proposals put forward by the Summit of the Group of Seven at Naples and the Managing Director of the International Monetary Fund (IMF) concerning the reduction of the official debt stock of heavily indebted low-income countries. Deliberations on the question of external debt must take into account the increasing difficulties of low-income countries whose debt was largely official in nature - either bilateral or multilateral. Most of those countries had managed their economies prudently and had met their obligations in full but had had to sacrifice social sector programmes in the process. Those countries, which included Pakistan, had thus far been completely bypassed by debt strategies for developing countries. They should not continue to be penalized merely because they did not fall into any specific category defined by the Paris Club. The World Bank and IMF had acknowledged Pakistan's commitment to fulfilling its debt-related obligations. Innovative mechanisms designed to help low-income countries like Pakistan were essential.

24. Long-term solution to the problem would require a favourable external environment characterized by, inter alia, reduced interest rates, innovative debt relief measures, the rollback of protectionist policies, technology transfer and stable commodity prices.

25. Mr. RAKOTONAIVO (Madagascar) supported the views expressed by the representative of Algeria on behalf of the Group of 77 and China. He noted that the total debt of the developing countries had increased by 25 per cent in the past five years and that, in 1993 alone, the developing countries had incurred new debt amounting to $71 billion. At the end of 1993, the total debt of developing countries had been equivalent to nearly 185 per cent of their export earnings and 43 per cent of their gross national product. In extreme cases, such as sub-Saharan Africa, the debt-to-export ratio was over 1,000.

26. The positive indicators at the aggregate level referred to in the report of the Secretary-General on the developing country debt situation as of mid-1994 (A/49/338) concealed huge differences among the countries concerned and, thus, the real difficulties confronting the capital-importing countries in general and low-income countries in particular. The categories established by the World Bank were significant (table 2) for they showed that the number of severely indebted low-income countries (SILICs) continued to increase; 26 of the 33 countries in that category were in Africa. Special attention should be focused on the problem of external debt in Africa, taking into account those countries' real capacity to repay, which had been greatly eroded by the falling prices of their exports.

27. Official debt currently represented 50 per cent of the total medium- and long-term debt of developing countries, compared to 40 per cent in 1985. The compounding of interest in successive debt reschedulings and the accumulation of arrears on bilateral and multilateral debt were responsible for that increase. Such obligations accounted for much of the debt of African countries and Madagascar was no exception. The trend seemed to contradict the treatment of

debtors in that category under the "enhanced Toronto terms" and the "Trinidad terms".

28. His delegation noted with interest the promises formulated by the Group of Seven at their recent Summit and by the Paris Club. It welcomed the measures taken by international financial institutions, in particular the Special Assistance Programme of the World Bank and the Enhanced Structural Adjustment Facility of the International Monetary Fund.

29. Given that earlier rescheduling agreements had provided satisfactory debt relief to the countries in the middle-income category, his delegation reiterated its appeal for more substantial and innovative action by official creditors. In that connection, the latest proposals formulated by the Movement of the Non-Aligned Countries, including the Indonesian initiative, should be considered. While certain countries continued to believe that the principle of reduction could not be applied directly by the Bretton Woods institutions, his delegation felt that those institutions must strengthen their concessional financing facilities, consider the establishment of more rapid assistance programmes and devise, inter alia, social safety nets.

30. His delegation welcomed the diversification of banking techniques and the development of debt swaps in recent years, but noted that, even with strengthened application of the Brady plan, a number of problems remained, such as lengthy negotiations, the scarcity of resources and the establishment of guarantees.

31. The principle of debt reduction was fundamental to any lasting international strategy and should be extended to all categories of debt. It would hardly be realistic to require debtor countries to improve their domestic situation before their debt was reduced. Lastly, the success of an international debt strategy would depend on a significant infusion of additional resources, based on a detailed estimate of the amount necessary to settle the crisis, and on the establishment of realistic reduction targets.

32. Mrs. MATHURIN MAIR (Jamaica) speaking on behalf of the 12 States members of the Caribbean Community (CARICOM) - Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago and Jamaica - endorsed the statement delivered by the representative of the Group of 77. She pointed out that despite the initiatives developed over the years to deal with the debt crisis, the debt burden continued to place a stranglehold on many economies and, in the Caribbean region, debt payments continued to exceed countries' capacity to pay.

33. Relief measures for many low- and middle-income countries had thus far focused largely on interest payments. Additional mechanisms and, above all, more effective long-term measures, were required in order to return those countries to sustainable debt-servicing situations (A/49/338, para. 17). The small developing countries in the Caribbean were very vulnerable to the external economic environment. The massive allocation of limited foreign exchange

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earnings to debt servicing - 70 per cent in Guyana and 40 per cent in Jamaica - hampered their long-term social and economic development. In other Caribbean countries, insufficient official development assistance and insufficient private investment flows forced Governments to incur debt as a catalyst for economic development.

34. While much of the world's attention was rightly focused on the debt situation of the poorest countries, particularly those in Africa, a meaningful debt strategy must be comprehensive in scope and development-oriented. It should promote, inter alia, innovative schemes such as debt-for-equity swaps, debt-for-environment swaps and the establishment of environment trust funds.

35. She drew attention to the proposal concerning debt forgiveness put forward by the Prime Minister of Antigua and Barbuda during the general debate in the plenary. He had suggested cancellation of a minimum of 50 per cent of existing debt whose original principal had, in most cases, long been repaid. He had also proposed allocating a fixed percentage of exports for the repayment of debt in order to ward off decades of worsening poverty in indebted countries.

36. Ways must be found to enhance the relief that could be provided by multilateral financial institutions. In that connection, proposals for a new issue of special drawing rights (SDRs), the use of reserves and the conversion of debt into equity investments should be seriously considered and the relationship between the United Nations and the Bretton Woods institutions should be re-examined within the context of an agenda for development. In particular, the proposals put forward by the developing countries to address the debt crisis by increasing international equity and lengthening adjustment periods should be reconsidered.

37. Mr. KARIM (Bangladesh) cautioned against optimism concerning the recent positive trend in net capital inflows to the developing countries, pointing out that they were concentrated in a few regions and were due, in large measure, to short-term investments or had been used to finance current account deficits. He also expressed concern over the decline in ODA. Foreign direct investment should not concentrate on a few countries where returns were high but should cover all countries which had introduced economic reform measures. He expressed concern about the negative transfer of resources from the Bretton Woods institutions and the hope that measures would be taken to reverse the trend.

38. Reduced investment in the vital social sectors had slowed the pace of economic growth in indebted countries. The total stock of external debt in the least developed countries represented nearly three quarters of their combined gross domestic product. Their debt-to-export ratio had been 20 per cent in 1991 and their development process had been impeded by the outflow of resources for debt-servicing. Debt relief measures for those countries had thus far been insufficient to reduce their debt overhang. The initiatives of some developed countries to write off a portion of official bilateral debt were welcome, but in the case of the least developed countries, nothing short of cancellation in full would do. Urgent measures must also be taken for the substantial reduction of

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the debt owed by such countries to the multilateral financial institutions and commercial creditors.

39. He stressed the need for an integrated approach to productive investment in developing countries involving government, commercial and multilateral institutions. Increased market access for their products and improved terms of trade were equally important. In that context, special measures must be taken to compensate the poorest and net food-importing countries for any short-term negative consequences of the Uruguay Round. Innovative measures such as debt-for-nature swaps and debt-for-social development swaps should be speedily applied and steps should also be taken to implement the recommendation formulated by the Ministerial Meeting of the Movement of Non-Aligned Countries on Debt and Development. Lastly, an infusion of new and additional resources was necessary to stimulate the economic growth and development of the poorer countries. That required a strong political commitment.

40. Mr. SOEGARDA (Indonesia) said that the international community faced the formidable task of finding a solution to the external debt problem of developing countries. His delegation was encouraged by the recent summit meeting of the Group of Seven in Naples, at which the Group of Seven had urged the Paris Club to pursue its efforts to improve the debt treatment of the poorest and most indebted countries and, where appropriate, reduce the stock of debt and increase concessionality for countries facing special difficulties. That promising trend had also been reflected in the communiqué of the Joint Ministerial Committee of the Boards of Governors of the World Bank and the International Monetary Fund (IMF), which had been held earlier in the month. However, while those measures helped to alleviate the situation, they did not in any way ensure a durable solution.

41. The Ministerial Meeting the Movement of Non-Aligned Countries on Debt and Development, held in Jakarta in August 1994, had called upon the international community, particularly donors and international financial institutions, to adopt a common set of principles for future debt negotiations, which would include a one-off arrangement for the substantial reduction of all categories of debt. Such a settlement should be carried out on a case-by-case basis within an overall framework of principles that would help restore the creditworthiness of debtor countries and give them a better chance to further their economic growth and development.

42. The problem of external debt required an integrated, development-oriented approach based on an open-, rule-based and non-discriminatory international trading system, greater financial flows and increased access to technology, which would help generate sustained growth and development.

43. Much could be done at the national level. Under the one-off debt-reduction arrangement, each country would be responsible for restoring macroeconomic stability through fiscal and monetary discipline, mobilizing domestic resources, diversifying exports and production and designing and implementing its own adjustment programmes. However, in an increasingly interdependent world, national policies had their limits. A conducive external environment was

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essential, and the developed countries should employ sound macroeconomic policies, particularly in the area of trade liberalization, financial flows and monetary stability.

44. While the net transfer of resources from developed to developing countries had recently reached record levels, for many countries, especially those in Africa, the share of such transfers had greatly diminished. His delegation questioned the sustainability of such transfers, which, for the most part, took the form of short-term capital and were directed towards only a few developing countries. Official development assistance, so important for developing countries that were unable to attract private financial flows, continued to decline both in real terms and in proportion to the gross national product (GNP) of developing countries. His delegation called upon the developed countries to increase ODA in keeping with their prior commitments and, in that context, reiterated its support for the convening of an international conference on the financing of development.

45. Mr. GUERRERO (Philippines) said that, while debt-rescheduling schemes had benefited many countries, including the Philippines, they had not solved the external debt problem as a whole. The Non-Aligned Movement had proposed a reduction - averaging 70 per cent - of the debt stock of severely indebted low-income and lower-middle-income countries. The 70 per cent figure represented the average discount on the secondary market of the debt papers of severely indebted countries.

46. Until recently, one of the most challenging tasks faced by the Philippine Government had been the management of its external debt. The adoption of a national policy on external debt had been extremely difficult, especially in the light of competing demands for very limited resources. Nevertheless, the Philippines had adopted a negotiated, growth-oriented debt strategy consisting of five key elements, namely, non-confrontational negotiation with creditors and avoidance of unilateral action; optimized use of grants and new money, with emphasis on concessional loans; rescheduling of debt payments and the continuation of negotiations for lower interest rates and longer maturity; reduction of the debt stock through debt-buyback, debt-to-equity swaps and other schemes; and implementation of structural adjustment reforms to enhance efficiency and effectiveness in resources mobilization, thus improving debt repayment capability.

47. In the past few years, "reduction" had become part of the vocabulary of Second Committee resolutions on debt. The Paris Club was currently prepared to consider that option, and the World Bank had called for the "entire-debt-stock-at-one-time" approach for severely indebted countries, most of which were least developed countries. His delegation recommended the adoption of the approach suggested by the Ad Hoc Group of Governmental Experts on Debt Problems of Developing Countries, which should include all types of debt and be applied to all categories of developing countries affected by the external debt crisis, taking into account the priority needs of the least developed countries and the special situation of African debtor countries.

48. Mr. HORIGUCHI (Japan) said that, if developing countries were to overcome their debt problems, they must undertake structural adjustment programmes to reinforce their fundamental capacity to repay their debts. First and foremost, debtor countries should implement sound market-oriented economic and industrial policies aimed at utilizing domestic savings, promoting investment and securing the return of flight capital.

49. While the conditionalities of the structural adjustment programmes imposed by the World Bank and IMF had been criticized as being too severe and failing to produce short-term economic results, the implementation of economic policy in accordance with such conditionalities would promote the economic development of developing countries in the medium and long term. The social effect of structural adjustment policies should be taken fully into account by developing countries in the course of policy implementation. The developed countries should support the efforts of developing countries to implement structural adjustment programmes and should provide all possible assistance.

50. The expansion of capital flows, including ODA, other official capital flows and private capital, was essential. In June 1993, Japan had announced its Funds for Development initiative, through which a total of $120 billion, which included both ODA and non-ODA funds, would be spent over five years. Moreover, the efforts of developing countries should be supported through the promotion of market access for the exports and the maintenance of sustained economic growth in developed economies.

51. Debt reduction was a measure that should be taken as an exception to general practice, and then only on a case-by-case basis under very special conditions. Debt reduction could damage the credit of a debtor country in the international monetary market and have a negative effect on new inflows of capital, which were essential for the further economic development of all developing countries. Moreover, it discouraged other debtor countries from persisting in their efforts to pay off their debts and, in general, weakened their determination to help themselves.

52. The poorest and most indebted countries deserved special attention. Account should be taken of such problems as extreme poverty, limited resources, dependence on primary commodities, proportional public debt, lack of basic infrastructures and insufficient administrative capacity. Under the enhanced Toronto terms, relief measures, which had reduced debt by 50 per cent, had already been applied to over 20 countries. The Group of Seven had recently stated that, where appropriate, it favoured a reduction in the stock of debt and an increase in concessionality for those countries facing special difficulties. Details of further debt-reduction measures were being worked out by the Paris Club.

53. Mr. AYEWAH (Nigeria) said that, while the debt situation of some countries had improved, for most countries, especially those in the African region, the crisis was becoming worse by the day. However, debtor and creditor countries had managed to prevent serious damage to the international financial system, which had been a real concern in the early stages of the crisis. That had been

a direct result of the adoption of sustainable macroeconomic policies, such as structural adjustment programmes, in some countries.

54. More than 40 developing countries, 26 of which had been classified as severely indebted, continued to experience debt-servicing difficulties. Those countries, most of which were in sub-Saharan Africa, had been allocating more than 30 per cent of their already meagre export earnings to debt servicing. Africa's total debt had increased and its external debt ratio to GNP remained the highest - some 70 per cent - among the developing countries.

55. International assistance was needed to relieve the crushing debt burden of the poorest and most indebted developing countries. Debt-service payments should be reduced to a level that could reasonably be expected to be paid; that would help reduce uncertainty and make new creditors feel more confident that their contractual arrangements would be honoured. Moreover, Africa's heavy external debt-servicing obligations discouraged private investors and the influx of new capital.

56. The Toronto terms had been widely recognized as far from adequate. The terms of debt-reduction had been too slow to take effect since they applied only to servicing obligations during the consolidation period. While arrangements with international financial institutions might provide temporary relief, they would not, in the long run, benefit most countries, especially the low-income debt-distressed countries. Relief on the entire stock of debt was a long-term solution that would lead to recovery. That measure would avoid frequent rescheduling and would reduce the debt stock to sustainable levels. While the solution might not be the same in all cases, it should promote sustainable economic development in the countries concerned.

57. It was time to reconsider the appropriate institutional means for providing international finance to low-income countries. Over the past decade, efforts to facilitate net aggregate repayments from sub-Saharan Africa had failed to achieve their purpose, and the new contingency financing facility had also failed to play a significant role in the stabilization of the adjustment and development programmes of low-income countries.

58. Only a comprehensive and durable solution to the external debt problem, which would take account of the need for a significant reduction of the stock and service of all types of debt to all debtor countries and include anticipatory measures to prevent the proliferation of the debt problem, would lead to the alleviation of that burden on the developing world. A durable solution to the debt crisis must include the strengthening and liberalization of the international trading system as the most important source of real growth and development.

59. Mr. AKPLOGAN (Benin) said that the rising level of debt and arrears among sub-Saharan African countries testified to the lack of progress that had been made in reducing the debt burden on that continent. The only way out of the vicious circle of debt was to cancel the public debt of the least developed countries and substantially reduce that of middle-income countries. Leaving

debtor countries in their current situation would help neither them nor their creditors. In order to provide lasting benefits and promote growth, debt relief must exceed a certain threshold. Naturally, it must be accompanied by careful management of the economy.

60. Debt relief measures should also be applied to multilateral debt, which currently accounted for much of the huge debt burden of many countries. The developed countries must demonstrate their political will by simply cancelling the official debt of African countries and least developed countries, reducing their multilateral debt by half and negotiating a rescheduling of commercial debt with banking institutions. Those measures would show that the world was truly changing.

61. Although the increase in private capital in a limited number of developing countries was welcome, it should be emphasized that, overall developing countries continued to suffer the consequences of slow growth caused by many factors, including new and veiled forms of protectionism. Financial resources were essential to meet the investment needs of developing countries. Without investment there could be no production, and without production, no job could be created. Despite the efforts that had been made to create a favourable investment climate, financial flows, particularly direct foreign investment, continued to fall far short of what was needed to meet development goals.

62. He expressed the hope that development financing would become a priority of the international community. The developed countries must make an effort to reach the target of 0.7 per cent of gross national product for development financing if they wished to see any real impact on poverty eradication and the creation of productive employment.

63. Mr. ZIARAN (Islamic Republic of Iran) said that the debt problem could not be addressed satisfactorily without an international debt strategy. Common interests and vision could create momentum for greater flexibility on the part of developed countries. He stressed that the cost of crisis prevention was lower than that of crisis settlement; a new flow of financial resources could spare the world economy another widespread recession.

64. Innovative steps, such as debt-for-nature swaps, should be employed, given the importance of full and timely implementation of Agenda 21. The debt-servicing capacity of developing countries should be strengthened, inter alia, through new flows of financial resources in the form of long-term loans and investment. His delegation was deeply concerned over the emergence of new forms of protectionism, especially since sweeping trade liberalization policies had been carried out by developing nations and the Uruguay Round of multilateral trade negotiations had come to a successful conclusion. Debt relief measures should be apolitical in nature; unfortunately, some creditor countries had tried to use debt relief for political leverage.

65. While recognizing the special needs of low-income countries, the international community should adopt a comprehensive approach to the question of indebtedness. Dividing debtor countries into sub-categories would hamper debt

reduction initiatives. Approaches to debt relief must also take into account the sacrifices made by some debtor countries to adhere to their commitments. Although the recent surge in the flow of financial resources to developing countries was welcome, relatively few such countries had benefited, and that had led to disparities in distribution of financial resources. Moreover, since the flow was attributable mainly to private short-term capital, there was no assurance that the trend would be sustained. The proposal for an international conference on the financing of development could provide a unique opportunity to discuss all problems and concerns relating to that area.

66. Mr. ADAM (Sudan) said that the attempts to cure the persisting debt crisis merely seemed to have made the problem worse: the number of heavily indebted countries had increased rather than declined. He called on the international community to address the problem without delay. Debt undermined the prosperity of the least developed countries and Africa; solving the problem would benefit not only them but the industrialized countries as well. However, it would require political will and a major effort by the international financial institutions. The recent initiatives taken by the Movement of Non-Aligned Countries and the measures resulting from the Uruguay Round, would help to resolve the problem of external indebtedness.

The meeting rose at 12.55 p.m.